

**University of California San Diego  
School of Medicine & School of Pharmacy**

**Implementation Procedures for the  
Health Sciences Compensation Plan APM 670**

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**Conflict of Commitment and Outside Activities of Health Sciences Compensation  
Plan Participants APM 671**

**1. INTRODUCTION**

1.1 The University of California San Diego School of Medicine and the Skaggs School of Pharmacy and Pharmaceutical Sciences (“UCSD”) hereby amends the implementation procedures (the “Implementation Procedures”) for the Health Sciences Compensation Plan (the “Plan”) as jointly developed and approved in accordance with the Plan as approved in July 2012 and the Guidelines on Occasional Outside Professional Activities by Plan Participants (the “Guidelines”) as approved by The Regents of the University of California in July 2014. The Implementation Procedures supplement the Plan. Department compensation plan procedures (“Department Procedures”) shall be developed in accordance with the Implementation Procedures. All Department Procedures must be reviewed and approved by the Vice Chancellor for Health Sciences (the “VCHS”) and the applicable School Dean before implementation.

1.2 The Plan and the Implementation Procedures will be used in each Department 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 each School to fulfill its missions at a level of excellence.

1.3 Plan participants may engage in occasional outside professional activities other than patient care and retain the related income only in accordance with the Guidelines and Implementation Procedures. Outside professional activities must be undertaken in a manner consistent with the faculty member’s professional obligations to the University. Outside activities must not conflict with the faculty member’s obligations to students, colleagues, or to the University as a whole. In order to fulfill those obligations, faculty members must maintain a significant presence on campus, meet classes, keep office hours, hold examinations as scheduled, be accessible to students and staff, be available to interact with University colleagues, and share service responsibilities throughout every quarter or semester of active service. The Implementation Procedures are annexed to this document as Appendix A.

1.4 In addition to the Implementation Procedures, Plan participants are also subject to the requirements of other University policies including: (i) 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 (ii) 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. Department Procedures must reference the University’s Conflict of Interest Code, adopted pursuant to the requirements of the Political Reform Act of 1974 (see web site <http://coi.ucsd.edu>). 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 Conflict of Interest Office.

**2. REVIEW AND APPROVAL RESPONSIBILITY**

2.1 The Implementation Procedures are developed to be consistent with the policy framework of the Plan. Affected Plan participants shall be afforded the opportunity to review and comment on any proposed revisions to the Implementation Procedures. This will include consultation with the joint School of Medicine and

the Skaggs School of Pharmacy and Pharmaceutical Sciences Compensation Plan Advisory Committee (the “Advisory Committee”), as well as the Faculty Council. School Deans, the Vice Chancellor for Health Sciences (the “VCHS”), the Chancellor, and the President or the President’s designee shall approve all revisions. The VCHS shall administer local implementation. All Department Compensation Procedures shall be reviewed and approved by the applicable Dean and VCHS prior to implementation.

2.2 The Chancellor may approve individual exceptions to provisions of the Plan and to the Implementation Procedures to meet special teaching, research, public service, or clinical service requirements. Such exception requests shall be proposed by the appropriate Chairperson and approved by the applicable Deans, the VCHS and the Chancellor. The Advisory Committee shall be provided with the opportunity to review and comment on any such proposed exceptions prior to forwarding the exception request to the Chancellor.

2.3 Good Standing. Good standing criteria shall be established in writing by each department and included in the Department’s Compensation Plan Procedures. Good standing criteria are subject to review by the Advisory Committee in accordance with Section 5 herein, and they must be approved by the applicable Dean and the VCHS. Good standing criteria might include, for example, requirements for clinical coverage, teaching obligations, participation in departmental and University activities, and revenue generation. Plan participants must satisfy the good standing criteria in order to be allowed to earn and/or retain income from professional activities. Reasons for loss of good standing might include, for example, loss of clinical privileges, instances of misconduct, loss of licensure and/or credentialing, non-compliance with required training, refusal to teach, or lack of quality in assigned teaching or administrative duties. 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. The Advisory Committee will hold a hearing and issue a recommendation to the VCHS for a final decision regarding whether or not the faculty member has fallen out of good standing. A determination that a faculty member is not in good standing may affect the amount of negotiated additional compensation and/or incentive/bonus compensation that the faculty member may earn. It may also affect their ability to engage in outside professional activities. Faculty who are not in good standing must obtain advance approval from the Department Chair to engage in any unassigned professional activities, and income from all such activities shall accrue to the Plan, not the Plan participant. In order to return to good standing, a faculty member must submit a plan for demonstrating compliance to the department chair and must file a petition with the department chair and VCHS to restore approval to earn and retain income from outside professional activities.

2.4 Department Chairs are responsible for ensuring that all new and continuing eligible Plan members receive a copy of the Plan, these Implementation Procedures, and any related Department Compensation Plan Procedures.

### **3. MEMBERSHIP IN THE PLAN**

3.1 Health Sciences faculty shall be members of the Plan if they hold University funded appointments at greater than 50 percent time in Health Sciences departments in any of the following professorial series: Professor, Professor In-Residence, Professor of Clinical \_\_\_\_\_ (e.g., Medicine), Adjunct Professor, Acting Professor, Health Sciences Clinical Professor, Visiting Professor, Dean, and other titles approved by the President.

3.2 Faculty members who are otherwise eligible for the Plan, as defined above, but who have appointments of 50 percent or less of full-time, may participate in the Plan upon the recommendation of the Department Chair and approval by the applicable Dean(s) and VCHS. Department Procedures should specify when membership in the Plan is required for faculty whose University-funded appointment is 50 percent or less of full-time.

3.3 As per the provisions of APM 205, retired faculty members who are recalled at a salary rate greater than base salary (X, X’ plus Y and/or Z), regardless of percentage effort, are required to be members of the Plan. As members of the Plan, all of the terms and conditions of the Plan apply.

3.4 If the faculty position is funded by two or more Health Sciences departments, the faculty member shall be subject to the Department Compensation Plan Procedures in which the preponderance of her/his academic activities occurs. Exceptions to this policy must be recommended by the relevant Department Chair(s) and must be approved by the applicable Dean(s) and the VCHS.

3.5 By statutory requirement and associated Regental policy, membership in the Plan is a term and condition of employment. Department Chairs are responsible for ensuring that all new and continuing eligible Plan members receive a copy of the Plan, the Implementation Procedures, and any related Department Compensation Plan Procedures.

3.6 Payment under the Health Sciences Compensation Plan will be made directly to the Plan participant in his/her individual capacity, and will not, absent prior approval from the President or the President's designee, be made to any professional corporation or other legal entity maintained by the participant.

#### **4. COMPENSATION-RELATED IMPLEMENTATION PROCEDURES**

4.1 Components of Compensation: Faculty members participating in the Plan shall receive base salary as described in Section 4.1.1 and may be eligible for optional additional compensation as described in Section 4.1.2 and be permitted to retain the other miscellaneous income as described in Section 4.1.3. No State funds shall be used for any component of compensation beyond the University's Fiscal Year Salary Scale applicable to the Plan member's rank and step (i.e., beyond Scale 0, which is the X component only). Compensation above the Fiscal Year Salary Scale 0 (X only) level shall be funded from Compensation Plan funds and other appropriate non-State funds, and in compliance with any associated fund source restrictions.

4.1.1 Base Salary and APU's. Base salary for an individual Plan member refers to that portion of salary associated with that faculty member's academic rank, step and Academic Program Unit ("APU"). Every APU will be annually assigned to a Health Sciences Compensation Plan Salary Scale (i.e., any of the scales between Scales 0 through 9). Each Salary Scale delineates a specific amount for each rank and step. Scale 0 equals one times the University's Fiscal Year Salary Scale (X only). Scale 9 equals 2.25 times X, and the Scales below 9 are at lesser multiples of X only. APUs shall be proposed, and the basis for their creation explained, by the Chairperson, and approved by the applicable Dean(s) and VCHS. An APU must be a group of faculty with similar clinical, teaching and/or research responsibilities. The VCHS must receive advanced approval from the Chancellor or the Chancellor's designee for an APU comprising fewer than four members. The request for approval shall include criteria for composition of the APU, and the name, series, rank, and step of each member. No individual faculty member may be moved from one APU to another without a significant change in duties or a change in department. Department Chairs shall report annually to the Dean the name of any faculty member who has moved from one APU to another and the reason for the transition. The base salary is considered covered compensation under the University of California Retirement Plan (UCRP), up to the amount permissible under law, and in accordance with UCRP provisions and regulations. Mid-year adjustments in APU salary scales are not permitted. The differential between X (Scale 0) and the faculty member's rank and step on the HSCP Salary Scale assigned to the faculty member is designated as X Prime (X').

4.1.2 Optional Additional Compensation. Additional negotiated compensation (Y) and/or incentive bonus compensation (Z) may be paid in accordance with the following requirements and approved Department Procedures:

4.1.2.1 Negotiated Additional Compensation (Y). Additional compensation beyond base salary may be negotiated annually with the Division Head or Chair, as specified by the Department of each Plan member. The Department Chair will propose negotiated additional compensation, and it will be subject to approval by the VCHS. This additional negotiated compensation is called "Y." Y 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. Mid-year renegotiation of Y is permitted only under unusual circumstances and with the approval of the VCHS. This component of pay is beyond the base salary and is not currently covered compensation under the University of California Retirement Plan ("UCRP").

4.1.2.2 Incentive/Bonus Compensation (Z). Incentive Bonus Compensation may be earned in addition to Base and Negotiated Additional Compensation. Z is not covered compensation under the UCRP. Z compensation will be paid to faculty through the University's payroll system, is subject to Federal and State tax withholding, and will be reported on a W-2 form as wages. Z compensation may be paid on a monthly, quarterly, semiannual, or annual basis, as specified in department compensation plan procedures, and may be based on clinical, consulting or other miscellaneous earnings. The Department Compensation Plan Procedures must be approved by the Dean(s), as well as the VCHS, and shall describe how Z compensation will be calculated and when it will be paid.

4.1.2.3 Administrative Stipends. Plan members may receive administrative stipends, defined as payments by the University for responsibilities related to University administration beyond normal responsibilities.

4.2 Annual Negotiation Process and Department Procedures. Plan participants shall annually negotiate their salary with their Division Head or Chairperson in accordance with Department Procedures. The negotiation and approval process used in each unit shall be specified in the Department Procedures, which are subject to approval by the Dean(s) and VCHS. Additional compensation will be paid in accordance with the applicable University, campus and Department Procedures during sabbatical leave, vacation leave, sick leave, or other leave with salary. Each department shall develop Department Procedures that detail good standing criteria; the Base Salary scale; the manner in which Additional Compensation is negotiated; and the methodology for calculating Incentive/Bonus Compensation (when applicable) and the frequency of payments; department requirements on occasional outside professional activities; the policies regarding paid and unpaid leaves (including paid leave for disability) and sabbaticals. These Department Procedures shall be approved by the Dean(s), as well as the VCHS, and may be altered only on July 1st, of each fiscal year. Each department must ensure that Plan participants have an opportunity to review and comment on proposed Department Procedures, and any significant modification of such Procedures. Revisions must be reviewed and approved by the Dean. Department Procedures may be more, but not less, restrictive than the Plan and must be consistent with the Implementation Procedures. By July 1 of each fiscal year, each faculty member of the Plan shall receive, in writing from his/her Department Chair or Division Head, a statement of proposed compensations for the forthcoming period July 1 - June 30. Base salary, additional compensation, and the methodology for calculating incentive compensation will be detailed.

4.3 Procedures Applicable To Termination of Employment Circumstances. 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, but all receivables will be the property of the University. Receivables for those with Optional Incentive/Bonus Compensation will be handled in accordance with Department Procedures. All compensation, including any compensation calculated based on any outstanding account receivables, must be paid through the University of California payroll system.

4.4 Assessments Applicable To Professional Fees And Outside Professional Income Not Retained. A School assessment on gross professional fee collections (the "Dean's Tax"), used to pay overhead and operational expenses, will be collected monthly. The rate used to calculate the School's assessment will be recommended by the Dean and approved by the Chancellor. Department Procedures may levy assessments beyond the School assessments for the purpose of funding department operating expenses (the "Department Tax"). Department faculty shall be provided an opportunity to review and comment on proposed changes to department assessments.

## **5. COMPENSATION PLAN ADVISORY COMMITTEE**

5.1 The Advisory Committee will assist the VCHS in resolving issues on outside professional activity. The Faculty Council will nominate and elect faculty to fill four positions on the Advisory Committee. At least one elected faculty member must have a Ph.D. The VCHS will appoint four additional members, at least one of whom must have a Ph.D. If none of the elected Advisory Committee members are from the Skaggs School of Pharmacy and Pharmaceutical Sciences ("SSPPS"), one of the VCHS-appointed Committee members must be from SSPPS.

5.2 Both the elected or appointed Advisory Committee members are limited to four consecutive one year terms, and initial terms will be staggered to ensure continuity. The Advisory Committee's functions include: advising the VCHS on these Implementation Procedures and department good standing criteria; the processes for developing Departmental Implementing Procedures, including methods for obtaining faculty input and for determining consistency with School Implementing Procedures; and mechanisms for hearing faculty grievances with regard to the implementation of administration of these Implementation Procedures. The Advisory Committee shall meet at least annually with representatives of at least four Medical School departments to review Departmental Procedures for compliance with outside activity guidelines, and every department of the School should be reviewed at least once every four years.

## **6. COMPLAINTS AND APPEALS PROCEDURES**

6.1 Faculty who have complaints about issues related to provisions of the Plan or its implementation in their unit should first try to have the issues resolved at the unit level. If the complaints cannot be resolved through such discussions, the faculty member's complaints and the Department Chair's response should be memorialized in writing. If the faculty member is dissatisfied with the department's decision, he or she should file a formal complaint with the Assistant Vice Chancellor for Faculty Affairs. The Assistant Vice Chancellor for Faculty Affairs will undertake fact-finding and will then present the case for consideration to the Advisory Committee. Both the complainant and the complainant's chair (or designee) will have the right to be heard by the Advisory Committee. The Advisory Committee will issue a formal recommendation for consideration by the applicable Dean(s), and then the VCHS for final decision. If the faculty member is dissatisfied with the VCHS' decision, she or he can pursue administrative remedies through applicable University academic personnel processes.

6.2 To ensure that the formal complaint process is fair and impartial, Advisory Committee members shall excuse themselves from deliberation on any single complaint if the Advisory 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.

## **7. DISCIPLINARY ACTION RELATED TO IMPLEMENTATION PROCEDURES**

7.1 The University reserves the right to take corrective action and disciplinary measures against any Plan member who violates, neglects, or manipulates Compensation Plan requirements, subject to normal academic personnel policies and rules. Department Chairs(s) must notify the AVC Faculty Affairs if they believe a Plan participant has violated, neglected, or manipulated Compensation Plan requirements. Any Plan member being subjected to corrective actions will be so informed in writing by an appropriate University official at least thirty days in advance of the implementation of the action or measure. Situations where 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 the Implementation Procedures and failure to accurately disclose and describe the nature and scope of outside professional activity as required by the Implementation Procedures.

7.2 The Advisory Committee will review disputes about corrective action related to the Implementation Procedures and make recommendations to the applicable Dean and the VCHS. Corrective action refers to termination of certain privileges available to Plan members, including the opportunity to earn and receive compensation above the fiscal year salary scale through the Plan, because of noncompliance. For example, corrective action may include incentive or bonus compensation (Z) termination until such time as a Plan member complies with the Plan provisions, or adjustment of negotiated compensation (Y), both with consideration of the Plan member's prior performance and compliance with these Implementation Procedures and Department Compensation Plan Procedures. Compensation established in accordance with the specialized Health Sciences Salary Scales (or base salary) shall not be reduced as a corrective action unless the Plan member is placed, by Chancellorial exception, on the fiscal year salary scale. Whenever a reduction in compensation is a result of corrective action related to outside activities, the faculty member will be so notified in writing. Corrective action will not preclude sanctions or disciplinary measures in accordance with the Faculty Code of Conduct or Academic Senate Bylaws (see <http://academicaffairs.ucsd.edu/offices/apo/>). Violations by Plan members of either the time

limit or approval limits on outside professional activities represent an unauthorized use of University resources or retention of funds belonging to the University. Such violations are subject to discipline in accordance with the Faculty Code of Conduct. Academic Senate members subject to corrective action under these Procedures have available to them a grievance process through the Privilege and Tenure Committee as described in the San Diego Division of the Academic Senate's Bylaw 230. (<http://www-senate.ucsd.edu/manual/SDBYLAWS.RV2.HTML#BYLAW230>). Other faculty may file a grievance under Academic Personnel Policy 140 (<http://www.ucop.edu/academic-personnel/files/apm/apm-140.pdf>)

## 8. BENEFITS

8.1 Base Salary-Related Benefits. Base Salary-Related Benefits are associated with an individual's salary from one of the Health Sciences Salary Scales (APU Scales 0 through 9), paid through the University of California payroll system. 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 benefits will be available to faculty members who are members of this Plan on the same basis as to all other members of the University's faculty. No State funds shall be used for any portion of benefit expenses applicable to compensation above Fiscal Year salary (Scale 0). Any required contribution to the Health Sciences retirement reserve fund on the portion of Base Salary above Scale 3 cannot be charged to State funds, and will be charged to the appropriate department/division Medical School fund account.

8.2 Optional Benefit Programs. The Regents have authorized disability and life insurance benefit programs related to health sciences additional compensation beyond base salary. These programs must be approved by the Office of Human Resources, Office of the President. Policies governing optional disability and life insurance programs on additional compensation are available from that office.

8.3 Leaves. 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 Procedures must specify the salary rate(s) that will be used for calculating compensation during paid leaves. The possible rates that may be used are: 1) Health Sciences Scale Base Salary (X, and, if applicable, X' + Y') and/or 2) total negotiated salary (Base plus additional negotiated compensation). Each department's Implementation Procedures 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 and/or divisions. No department may offer faculty benefits beyond those approved by The Regents for faculty members in the University.

8.3.1 Extended Illness Leave. Extended illness is defined as a health condition resulting in absence for more than two weeks. Plan Participants who are unable to work for reasons of extended personal illness, injury or disability shall be granted paid medical leave of a minimum six (6) weeks consecutive or intermittent paid medical leave at the Plan Participant's approved base salary. Extended illness must be documented as a leave with pay on a *Leave of Absence* form. Department/Unit guidelines must provide a minimum of six weeks of salary at the covered compensation (X, and, if applicable, X' + Y') rate, must specify the salary rate(s) (e.g. X, and, if applicable, X', Y' + Y) that applies during paid leave(s), the maximum duration of leave provided, and any documentation requirements. In addition, eligibility for successive paid extended illness leave must be articulated in the guidelines. Departments/Units may provide a graduated benefit depending upon the years of faculty service.

8.3.2 Childbearing Leave. Childbearing leave is for a Plan Participant who bears a child or children regardless of academic series or months of service. Childbearing leave shall consist of time the Plan Participant is temporarily disabled because of pregnancy, childbirth, or related medical conditions. A minimum of six weeks of full salary (X, and, if applicable, X', Y' + Y) shall be covered. Guidelines must specify the salary rate and duration of any additional paid leave. A Plan Participant who bears a child is also eligible for childrearing/parental leave without pay and a period of Active Service-Modified Duties (*See* APM 760-28).

8.3.3 Childrearing/Parental Leave with Pay. Guidelines must provide a minimum of two weeks childrearing/parental leave at full salary (X, and, if applicable, X', Y'+Y) to any non- birth parent who is a Plan Participant. Guidelines may not provide more childrearing/parental leave with pay than childbearing leave with pay. Childrearing/Parental leave with pay must be used within 12 months of the birth or adoption.

8.3.4 Childrearing/Parental Leave without Pay. Plan Participants are eligible for full-time or part-time parental leave without pay for up to 12 months to care for a child. At the Plan Participant's request, accrued vacation shall be substituted for unpaid parental leave. Childrearing/Parental leave without pay must be used within 12 months of birth or adoption.

## **9. CAMPUS ACCOUNTING METHODS AND INDIVIDUAL ACCOUNTABILITY**

9.1 Management and Reporting of Income and Expenses. All professional fee income, except for the excluded categories listed under Section 4 above, will be managed, accounted for and reported as revenue of the University, and must be deposited into the revenue account of the appropriate Departmental Compensation Plan fund (funds numbers 60XXX). All income paid to faculty will be subject to Federal and State withholding and reported on a W-2 form as wages. For consulting and other payments not authorized for direct retention, but which are made directly to the faculty member and are owed to the Plan, the check should be endorsed payable to The UC Regents and deposited in the same revenue accounts. A receipt for each such deposit should be provided to the faculty member, along with any other requested documentation the faculty member may need in conjunction with the filing of his/her personal income tax submission. All financial transactions shall be approved, documented and otherwise processed or executed in accordance with University 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 UCSD Medical Group and the Dean's Office. All billing and collection services for external vendors shall be detailed in a written agreement. Agreements with external vendors shall follow guidelines developed by the Office of the Controller, Office of the President. Regardless of the billing agent, all professional fees shall be deposited directly into an authorized University bank account. Contracts with approved external billing agents shall utilize the standard UCSD billing agreement form with appropriate approval by the Medical Group, Dean's Office and the Materiel Management Department. The accounting standards specific in the University of California Accounting Manual must be used in reporting income and expenses in all Plan matters.

9.2 Fund Accounts and Sources. Compensation Plan fund accounts shall be structured so that each department has at least two distinct Funds: a current-year operations fund and a prior-year fund to which accumulated surpluses will be transferred.

9.3 All income from professional services, University and affiliated institutional, professional or management services performed by Plan participants and other funds as required by the Chancellor shall be appropriately recorded in such accounts.

9.5 Contingency in Event of Inadequacy of Medical School Fund Accounts. Although the Plan allows for the transfer of funds from one fund account to another, the customary practice at UCSD will be to preserve the financial autonomy of each department by maintaining separate departmental fund accounts. 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.

9.6 Budgeting. Each department shall develop and submit to the Dean each year an annual budget projecting income and expenses for departmental Plan funds as a part of its annual faculty salary budget submission. 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 should clearly indicate the funding mechanism for all benefits provided under the provisions of the Plan. Funding clinical practice operation expenses shall have the highest priority, followed by compensation and benefit plans for participants. Each department may have an assessment rate for each which is approved by the applicable Dean and applied against gross professional fee collections; capitation payments; clinical service agreement income; and expert witness fee and consultant

income (beyond that which faculty can retain under provisions of Section 9.4) and will be used to pay clinical practice operations expenses. Each department is expected to maintain a reserve for contingencies in an amount acceptable to the Dean. 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 has accumulated a surplus beyond that required as a reserve, it is expected that these funds will be used to enhance the department's academic program or to develop new programs as recommended by the Chair and approved by the Dean. Fund balances will be monitored monthly by the Dean's Office.

## **10. IMPLEMENTATION AND TRANSITION ARRANGEMENTS**

10.1 These campus procedures are effective July 1, 2013 to comply with the Plan approved by The Regents in July of 2012, and supersede any previous implementation. In order for UCSD to meet the Plan requirements of these Implementation Procedures, each department shall submit to the Dean(s) and VCHS annual data on Departmental Clinical Compensation Plan operations and fiscal projections of costs and of sources of proposed funding for departmental fund accounts.

## **11. DISCIPLINARY ACTION RELATED TO IMPLEMENTATION PROCEDURES**

11.1 The University reserves the right to take corrective action and disciplinary measures against any Plan member who violates, neglects, or manipulates the Health Sciences Compensation Plan or the implementing procedures on outside professional activities requirements. Department Chairs(s) must notify the AVC Faculty Affairs if they believe a Plan participant has violated, neglected, or manipulated these requirements. Any Plan member being subjected to corrective actions will be so informed in writing by an appropriate University official at least thirty days in advance of the implementation of the action or measure. Situations where 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 and failure to accurately disclose and describe the nature and scope of outside professional activity as required by the campus' Implementing Procedures. The Advisory Committee will review disputes about corrective action related to the Implementation Procedures and make recommendations to the applicable Dean and the VCHS. Corrective action refers to termination of certain privileges available to Plan members, including the opportunity to earn and receive compensation above the fiscal year salary scale through the Plan, because of non-compliance. For example, corrective action may include incentive or bonus compensation (Z) termination until such time as a Plan member complies with the Plan provisions, or adjustment of negotiated compensation (Y), both with consideration of the Plan member's prior performance and compliance with these Implementation Procedures and Department Compensation Plan Procedures. Compensation established in accordance with the specialized Health Sciences Salary Scales (or base salary) shall not be reduced as a corrective action unless the Plan member is placed, by Chancellorial exception, on the fiscal year salary scale. Whenever a reduction in compensation is a result of corrective action related to outside activities, the faculty member will be so notified in writing. Corrective action will not preclude sanctions or disciplinary measures in accordance with the Faculty Code of Conduct or Academic Senate Bylaws (see <http://academicaffairs.ucsd.edu/offices/apo/>). Violations by Plan members of either the time limit or approval limits on outside professional activities represent an unauthorized use of University resources or retention of funds belonging to the University. Such violations are subject to discipline in accordance with the Faculty Code of Conduct. Academic Senate members subject to corrective action under these Procedures have available to them a grievance process through the Privilege and Tenure Committee as described in the San Diego Division of the Academic Senate's Bylaw 230. <http://senate.ucsd.edu/Operating-Procedures/Senate-Manual/Bylaws/230>. Other faculty may file a grievance under Academic Personnel Policy 140 <http://www.ucop.edu/academic-personnel/files/apm/apm-140.pdf>



## APPENDIX A

### **CONFLICT OF COMMITMENT AND OUTSIDE ACTIVITIES OF HEALTH SCIENCES COMPENSATION PLAN PARTICIPANTS APM 671**

#### **1. ELIGIBILITY**

1.1 The University of California policy on conflict of commitment and outside activities and the disposition of income earned from outside professional activities provides guidance for the identification and management of outside professional activities in order to avoid conflicts of commitment, while assuring that Health Sciences Compensation Plan (the “Plan”) participants may engage in a wide array of outside activities without unnecessary limitations. This policy is specific to faculty members who are participants in the Plan.

1.2 Faculty who have retired and are recalled to active service for appointments at or less than 43 percent time and who are participants in the Plan are subject to the provisions of this policy. Faculty members who are not participants in the Plan are subject to the provisions of APM – 025.

1.3 Faculty who are approved for a leave without pay must comply with requirements for disclosure, prior approval, and annual reporting for outside professional activities and earnings during periods of leave without pay. Faculty who are on leave without pay are not subject to the time limits or earnings threshold of this policy.

#### **2. REVIEW AND APPROVAL RESPONSIBILITY**

2.1 These Implementation Procedures are developed to be consistent with the policy framework of the Plan. Affected Plan participants shall be afforded the opportunity to review and comment on any proposed revisions to the Implementation Procedures. This will include consultation with the joint School of Medicine and the Skaggs School of Pharmacy and Pharmaceutical Sciences Compensation Plan Advisory Committee (the “Advisory Committee”), as well as the Faculty Council. School Deans, the Vice Chancellor for Health Sciences (“VCHS”), the Chancellor, and the President or the President’s designee shall approve all revisions. The VCHS shall administer local implementation. All Department Compensation Procedures shall be reviewed and approved by the applicable Dean and VCHS prior to implementation.

2.2 The Chancellor may approve individual exceptions to provisions of the Plan and to these Implementation Procedures. Such exception requests shall be proposed by the appropriate Chairperson and approved by the applicable Deans, the VCHS and the Chancellor. The Advisory Committee shall be provided with the opportunity to review and comment on any such proposed exceptions prior to forwarding the exception request to the Chancellor.

2.2.1 Good Standing. Good standing criteria shall be established in writing by each department and included in the Department’s Compensation Plan Procedures. Good standing criteria are subject to review by the Advisory Committee as per the provisions of Section 5 herein and must be approved by the applicable Dean and the VCHS.

2.2.2 Only the Chancellor has the authority to approve any exception request that involves a Plan participant directly retaining earnings that exceed the limitation of \$40,000 or 40% of the fiscal-year Scale 0 salary, whichever is greater. In order to return to good standing, a faculty member must submit a plan for demonstrating compliance to the department chair and must file a petition with the department chair and VCHS to restore approval to earn and retain income from outside professional activities.

2.2.3 Department Chairs are responsible for ensuring that all new and continuing eligible Plan members receive a copy of the Plan, these Implementation Procedures, and any related Department Compensation Plan Procedures.

### **3. COMPENSATION RELATED IMPLEMENTATION PROCEDURES**

3.1 All income derived from patient care activity shall be paid into the Plan. Further, except for the income described below, other professional income related to the qualifications associated with the Plan member's Health Sciences appointment shall also be paid to the Plan. This includes income earned while on paid leave of absence, vacations, holidays, weekends, etc. Professional income, as used here, includes both cash and non-cash compensation (e.g., stock and stock options). Income due to the Plan must be deposited into the revenue account of the appropriate School's compensation plan fund. The following categories of income may be directly retained by the faculty member, subject to stated limitations:

3.1.1 Prizes. Defined as gifts in recognition of personal achievements and not for services rendered;

3.1.2 Royalties. Defined as shares of proceeds for contributions as authors or inventors, as allowed under the University's copyright and patent policies;

3.1.3 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;

3.1.4 University Honoraria. Defined as payment for occasional lectures or similar services performed on a University of California campus as permitted by Academic Personnel Policy;

3.1.5 Unrelated Income. Defined as income from a profession or activity unrelated to the training and experience that is the individual's qualification (e.g., M.D. or Ph.D. degree) for University appointment, as determined by the Department Chairperson in consultation with the Dean.

3.1.6 Administrative Stipends. Plan members may receive administrative stipends, defined as payments by the University for their responsibilities related to University administration beyond normal responsibilities.

### **4. INCOME FROM OCCASIONAL OUTSIDE PROFESSIONAL ACTIVITIES**

4.1 Some income that results from occasional service other than patient care to governmental agencies, work as a consultant to non-profit or for-profit entities, activity as an expert or professional witness, and participation in continuing education programs administered by the University may be retained, so long as the Plan member complies with the provisions set forth in Sections 5 through 10. Also, a Plan participant who has satisfied the good standing criteria established by his/her department, and who is in compliance with various limitations discussed in the following sections, is allowed to engage in outside professional activities other than patient care without prior approval (unless it is a Category I activity) from his/her Department Chair or, so long as his or her University obligations are satisfactorily met.

4.2 Faculty have the option of depositing income from outside professional activities into an Academic Enrichment Account. Academic Enrichment Accounts are established for the purpose of supporting the academic activities of the Plan Participant by allowing direct charge or reimbursement for business-related expenses. Funds allocated to an Academic Enrichment Account may be used to support University-approved academic professional activities that are allowed direct charge or reimbursable University-related business expenses of an individual Plan Participant consistent with University accounting guidelines.

To the extent he or she wishes to participate, by May 31 of each fiscal year each Plan Participant may make a written request to his/her Chair/Director with respect to one of the following options for allocation of income accumulated in the plan in excess of financial requirements. After review, and if approved by the Plan Participant's Chair/Director (which approval shall be in writing), such requested allocation will then remain in effect for the forthcoming fiscal year (July 1 – June 30). Changes are not permitted under any circumstances until the following

fiscal year.

Options:

***Option A: Z Payment***

Remaining income is paid as a “Z” payment on a [SPECIFY FREQUENCY – E.G., ANNUAL, QUARTERLY, MONTHLY] basis following the close of each [SPECIFY PERIOD AND DATES IF APPLICABLE – e.g., “QUARTER (MARCH 31, JUNE 30, SEPTEMBER 30, DECEMBER 31)”. A “Z” payment may be paid earlier in the [SPECIFY PERIOD] if the Plan Participant retires or separates from University employment or upon approval of the Chair/Director. ***Option A is the default option. It will be implemented each year for Plan Participants who do not select in writing and secure approval for another option (i.e., Option B or Option C, below).***

***Option B: Academic Enrichment Fund***

Remaining income is requested to be allocated to an AEF. Account funds may be used to support University-approved academic professional activities by reimbursing expenses that can be characterized as either: (1) an allowable direct charge or (2) reimbursable University-related business expenses incurred and documented consistent with University business and finance bulletins and accounting guidelines in support of the Plan Participant’s academic work. Once funds are allocated to an AEF, they may not subsequently be used for faculty salary support. If the Plan Participant retires or separates from University employment, the unexpended balance, if any, remains the property of the University. Funds may be allocated to an AEF under the conditions described more fully below in the Section titled Conditions Governing Allocations to AEFs.

***Option C: Designated Academic Enrichment Fund and Z Payment***

A defined part (flat dollar amount or percentage) of the remaining income is requested to be allocated to an AEF and the remainder is paid to the Plan Participant as a “Z” payment. Each part is subject to the restrictions described in Option A or Option B, as applicable.

Conditions Governing Allocations of Outside Professional Activity Income to Academic Enrichment Funds

- All or a portion of a Plan Participant’s academic outside professional activity income due to the Plan may be allocated to an AEF.
- On an annual basis, if allowed by his/her department/unit guidelines, a Plan Participant may submit a request to the Chair/Director that funds be allocated to an AEF for the forthcoming fiscal year (July 1 through June 30). **The request must be submitted in writing prior to May 31 (i.e., in advance of the forthcoming academic year)** and approved prior to implementation (i.e., by July 1<sup>st</sup>).
- A Chair/Director may submit a written request to the Dean’s Office to allocate funds for the upcoming fiscal year to an AEF. The Dean or the Dean’s designee must confirm his/her approval, if forthcoming, in writing.
- Disposition of the funds in an AEF is under the auspices of the department/unit. The Chancellor or the Chancellor’s designee, through the Chair/Director, has final authority over the use and distribution of funds held in an AEF.
- Once a request that funds be allocated to an AEF has been approved, the Plan Participant cannot change the designation of such funds.
- The department/unit must maintain detailed records that are readily available for audit and other appropriate reviews and support the allowable nature of the reimbursable academic professional expenses that are paid from the AEF. Plan Participants must submit all required supporting documentation for reimbursement consistent with University accounting guidelines. Unspent travel advances or any other disallowed amounts charged to the AEF must be repaid by the Plan Participant consistent with University accounting guidelines.
- An AEF can maintain a positive balance at the end of an academic year that may be carried forward to the next academic year, if approved by the Chair/Director, in his or her discretion. Disposition of year-end positive balance is communicated annually to the Plan Participant at the time requests for allocations to AEFs are made.
- In the event of termination of employment, any outstanding account receivables shall be treated consistent with the Plan Participant’s compensation arrangement. Specifically, receivables originated by Plan Participants without incentive/bonus compensation are the property of the University. AEF funds remain the property of the University. Receivables of Plan Participants with incentive/bonus compensation are handled in accord with

department/unit guidelines. All incentive/bonus compensation, including payments for outstanding account receivables, will be paid through the University's payroll system.

## **5. LIMITATION REGARDING NUMBER OF DAYS**

5.1 The number of days devoted to occasional outside professional activity cannot exceed 48 days per fiscal year. This limit on the number of days devoted to compensated outside professional activities applies regardless if they are conducted during the normal work week, on weekends, evenings, vacations, paid leaves, etc. For members of the Plan, activities that are not counted toward the 48-day limitation include: reviewing grants and manuscripts; serving on Study Sections; being an oral examiner for national specialty boards; and editing an academic journal. If it is necessary to exceed the 48-day limit in order to complete a specific outside professional activity, the entirety of such activity will require approval under Request For Exceptions below. It may be permitted if approved in advance by the VCHS if the amount of time beyond 48 days is reasonable as determined by the VCHS. A day of outside professional activity is defined based on common sense and customary practices of each department. The Department Chairs and faculty should exercise sound professional judgment when determining what constitutes a day of outside activity. Faculty should be prepared to provide, upon request, an explanation of the definition of a "day" used in preparing the required annual report as described below.

5.2 Plan participants must abide by the provisions of the Plan regarding both time and income limitations on outside professional activity. Failure to do so will result in submission by the VCHS of an issue/complaint to the Compliance Advisory Group (CAG). CAG will refer the complaint or issue for investigation. If the issue is confirmed, CAG will recommend in writing that the VCHS notify the faculty member in writing of the issue and the recommendation for remedying the issue. The faculty member will be given 30 days to comply or submit a plan for compliance. The department is responsible for follow-up. If the situation is not corrected, the VCHS shall send a second letter to the faculty member, who will receive 30 days' notice that action will be taken, which may include termination of any negotiated and/or incentive/bonus salary component(s). The faculty member will also be notified of an option to file a grievance with the Advisory Committee, which will hold a hearing and issue a recommendation to the VCHS for final decision. If the faculty member remains noncompliant and does not file a grievance with the Advisory Committee, corrective action may be taken. The faculty member must submit a petition to the department and the VCHS in order to restore approval to earn and retain outside professional compensation.

## **6. LIMITATION ON THE AMOUNT OF INCOME THAT CAN BE DIRECTLY RETAINED:**

6.1 The aggregate annual income from occasional outside professional activity that a Plan member may directly retain cannot exceed the approval threshold determined by the Provost, which is \$40,000 or 40% of the fiscal-year Scale 0 salary, whichever is greater for an individual faculty member's rank and step.

6.2 The total amount of income from occasional outside professional income that a Plan member may receive via his or her University paycheck is however not limited, although compensation a Plan member receives via his or her University paycheck is subject to normal academic personnel and budgeting processes. Also, outside activity income that passes through University accounts is assessed per Section IV. D. Directly retained income is not assessed. The value of non-cash compensation (i.e., stock, stock options, etc.) that a Plan member receives for occasional outside professional activity, on the day of receipt, must be counted toward limitations of retainable income discussed here. Each faculty member is responsible for maintaining a running total of his or her earnings from the outside professional activities. If a Plan participant wishes to engage in an activity that might reasonably be expected to cause his or her total annual earnings from outside professional activities to exceed the approval threshold, then the Plan participant must request approval to engage in the activity in accordance with the Exception Section below.

## **7. LIMITATION ON USE OF UNIVERSITY RESOURCES FOR OUTSIDE ACTIVITY**

7.1 The use of University staff, laboratories, facilities or other resources in connection with outside

professional activity is subject to limitation under the Faculty Code of Conduct. Academic Personnel Policy 015, Section II, Part II, C (see web site <http://www.ucop.edu/acadadv/acadpers/apm/apm-015.pdf>) lists the unauthorized use of University resources or facilities for personal, commercial, political and/or religious purposes as a type of unacceptable conduct. In general, when faculty retain income for professional consulting or expert witness activity, particularly when the activities are conducted for third party for-profit entities or private individuals, the cost associated with the consulting or witness activities shall 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 (See UC Business and Financial Bulletin, BUS-9, Professional Medical & Hospital Liability Self Insurance Program at <http://policy.ucop.edu/doc/3520505/BFB-BUS-81> for more information). 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 and VCHS. The Dean or VCHS will, if necessary, refer the question to other appropriate University officers.

## **8. LIABILITY INSURANCE GUIDELINES**

8.1 The University's liability and workers compensation coverage does not extend to activity that is outside of the course and scope of the participant's University employment. Some outside professional activities, particularly certain consulting and expert witness testimony, would generally be considered outside the course and scope of University employment, depending on the facts and circumstances of any given case. Questions about University liability coverage in connection with a specified activity or exposure should be discussed with the Office of Risk Services at the Office of the President. Faculty members who engage in professional activities that are outside the course and scope of their University employment are encouraged to obtain outside legal consultation, as needed, and consider obtaining personal liability insurance.

## **9. REQUESTS FOR EXCEPTIONS TO OCCASIONAL OUTSIDE ACTIVITY LIMITATIONS**

9.1 Plan participants must request and receive approval in advance for exceptions: (i) to exceed the 48-day limit on compensated outside professional earnings; (ii) to engage in compensated outside professional activities if the Plan participant is not in good standing; and/or (iii) to exceed the annual outside professional earnings threshold on directly retained earnings. Authority to approve exceptions varies depending on the type of exception. Engaging in outside activity beyond the 48-day limit or when a faculty member is not in good standing is subject to approval in writing by the VCHS. However, only the Chancellor has authority to approve any exception request which involves a Plan participant directly retaining earnings that exceed the limitation of \$40,000 or 40% of the fiscal-year Scale 0 salary, whichever is greater.

9.2 All exception requests must be submitted in writing to the Department Chair and must include the relevant information about the engagement, including: the nature of services to be provided; the person or entity who will receive and pay for the services (e.g., government entity, for-profit pharmaceutical company, etc.); and the anticipated period of service and/or days to be devoted to the activity. In addition, if an exception involves exceeding the annual outside professional earnings threshold, the request must state 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 limit.

9.3 Plan participants should notify the Chair immediately if they inadvertently exceed the time limits or earnings threshold or if any of the information they provided in the approved request changes or becomes inaccurate. Department Chairs will forward all exception requests to the Dean(s) and VCHS. The Dean will recommend to the Chancellor whether to approve any request which involves a Plan participant retaining earnings that exceed the limitation of \$40,000 or 40% of the fiscal-year Scale 0 salary, whichever is greater. If the Chancellor approves such requests, the approval will be in writing and such approvals bring with them the authorization for the Plan participant to directly retain the entire amount approved by the Chancellor.

## 10. ANNUAL OUTSIDE ACTIVITY REPORT

10.1 Each Plan member must provide 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 to adherence with these Implementation Procedures and Department Compensation Plan Procedures. The following activities and/or income do not need to be included on the report: royalties, prizes, honoraria, University honoraria, administrative stipends, and income from a profession or activity unrelated to the training and experience that is the individual's qualification for University appointment, as determined by the Department Chairperson in consultation with the Dean and VCHS. This annual report should include a general description of the entity to whom the service was provided (e.g., individual person, law firm, research company, or other); a brief description of the type of service performed; a description of the faculty member's relationship to the entity (e.g., consultant, board member); and the number of days devoted to the activity. The report shall also indicate the month in which the service was provided. The Department Chair may request, and the faculty member shall be obliged to provide, information regarding the specific person or entity to which the services were provided and the dollar amount associated with each service.

10.2 Prior Approval Requirements. All Category I activities and requests to exceed the time or the earnings approval threshold require prior written approval from the Chancellor in advance of performing the activity.

10.3 Reporting Requirements. All faculty must provide an annual report of outside professional activities to their Department Chairs each year, even if the faculty member did not engage in outside professional activities during the year. Faculty must report annually all Category I and II outside professional activities that were conducted during the prior 12 months, including activities conducted during normal service periods and during periods of leave with pay. All earnings derived from these activities must be reported as well. Grants submitted on behalf of a professional society are exempt from this restriction, i.e., are not considered Category I activities. The responsibility for oversight of the outside professional activities of Department Chairs shall reside with the Dean.

10.4 Outside professional activities are categorized based on the extent to which they are likely to constitute conflict of commitment. Categories I and II include activities that must be reported and, in the case of Category I, must receive prior approval before the faculty member engages in the activity. Category III activities are those that are within the course and scope of University employment and need not be approved or reported. When an activity falls into more than one category, it should be assigned to the category which requires more stringent reporting and prior approval, as applicable.

10.4.1 Category I activities are most likely to create a conflict of commitment because 1) they are activities related to the training and expertise which is the University's qualification for University appointment, but performed for a third party, and/or 2) they require significant professional commitment. Examples of Category I activities are teaching, research, or administration of a grant at an entity outside of the University; employment outside of the University; assuming a founding/co-founding role of a company; and assuming an executive or managerial position outside of the University. All earnings and time spent on Category I activities count toward the threshold.

10.4.2 Category II activities are typically shorter term outside professional activities that are outside the course and scope of University employment. Category II activities have a lesser potential for a conflict of commitment than do Category I activities. The following are examples of Category II activities: additional University-compensated teaching outside of the assigned teaching load; consulting or testifying as an expert or professional witness; providing consulting services; serving on the board of directors of an outside entity; and providing a workshop for industry. All earnings and time spent on Category II activities count toward the threshold.

10.4.3 Category III activities are within the course and scope of University employment and ordinarily do not present issues of conflict of commitment. The following are examples of Category III activities: serving on a federal, state or local government agency committee, professional panels or committees or as an officer or board member of a professional or scholarly society; reviewing manuscripts acting in an editorial capacity;

reviewing journal manuscripts or grant contract proposals; attending and presenting talks at scholarly colloquia and conferences; and developing scholarly and creative works. All earning and time spent on Category III activities do not apply toward the threshold.

10.4 Plan participants must adhere to the University Faculty Code of Conduct (APM 015) when involving students in their outside professional activities. A faculty member involving a student in outside activities has the responsibility to ensure that the student's participation does not interfere with the student's academic obligations. If the faculty member has, or expects to have, academic responsibility (instructional, evaluative, or supervisory) for the student, the faculty member must obtain prior written approval from the Department Chair before involving a student in an outside professional activity regardless of whether the faculty member is compensated for or has a financial interest in the activity.