



TEXAS TECH UNIVERSITY HEALTH SCIENCES CENTER™

School of Medicine

Operating Policy and Procedure

SOM OP: 20.31, **Basic Science Department Year-End Incentive Compensation**

PURPOSE: The purpose of this School of Medicine (SOM) policy is to establish requirements, limitations, and processes for providing year-end incentive compensation to basic science faculty based upon the total value of extramural grants from the fiscal year.

REVIEW: This SOM Policy and Procedure shall be reviewed within each even-numbered fiscal year by the Executive Associate Dean for Administration. Revisions will be forwarded to the Office of the Dean for approval and publication.

POLICY/PROCEDURE:

- 1. General.** This policy is designed to reward financially independent research programs while maintaining equity within individual departments. The intent is to stimulate and advance the research efforts of faculty within the TTUHSC School of Medicine. It is designed to foster quality in-house collaborations, support increased productivity, and to promote employee retention. The general purpose of this year-end incentive is to increase:
 - a. The total number of extramural grants with faculty salary return per investigator.
 - b. The total value of extramural grants (sum of direct and indirect costs) with an emphasis on funding from sources with higher indirect cost rates.
 - c. The research effort as reflected in percent effort on extramural grants. The percent effort is subject to peer review at the time of grant review and ultimately determines the amount of faculty return that in-turn caps the year-end incentive.
- 2. Requirements.**
 - a. Every principal investigator, co-investigator, and/or subcontractor with faculty salary return on an extramural grant qualifies for the incentive plan.
 - b. The year-end incentive is a salary bonus in excess of the base salary. In accordance with NIH policy, the base salary will not be increased as a result of replacing organizational salary funds with NIH grant funds.
 - c. The amount of the year-end incentive is calculated on funds from the current fiscal year (September 1 through August 31).
- 3. Process Considerations.**
 - a. Each investigator is eligible for year-end incentive compensation up to 5% of the total value of the extramural grants (sum of direct and indirect costs).

- b. Each investigator must weigh the pros and cons of year-end incentive compensation over other appropriate uses of available funds. Thus, each individual may elect to participate or hold funds in escrow. The investigator may elect to distribute funds between the year-end incentive compensation and other priorities. Distribution percentages may change from year to year.
- c. When all current fiscal year data are available, the department will coordinate with investigators to ensure the accurate calculation of allowable year-end incentive compensation. Active awards should be pro-rated for the fiscal year based upon the starting and ending dates of the funding (all in-house funding sources are excluded, i.e., seed grants, start-up funds, etc.). In the event a grant is extended, the award should be pro-rated based upon the newly adjusted end date. The calculation of total grant awards and allowable funds for year-end incentive compensation are determined at the department's discretion within the guidelines of this policy. For audit purposes, the department must appropriately maintain all related documentation. For an example, see the following table:

Year-End Incentive Compensation Calculation Example

Source of Funds	Effective Dates	Applicable FY12 Dates	Total Award Direct + F&A	No. Applicable Mos.	PI Portion of Salary Return	Awards Pro-rated for FY12	5% of FY12 Pro-rated Awards
Grant A	12/1/10-11/30/11	9/1/11-11/30/11	280,241	3	-	70,060	3,503
Grant B	12/1/11-11/30/12	12/1/11-8/31/12	298,923	9	30,800	224,192	11,210
Total					30,800	294,253	14,713

- d. Upon finalization of calculations, an investigator must submit a written request for incentive payment to the department chair and administrator based upon his/her portion of salary return remaining from the current fiscal year (September 1 through August 31). He/she may also include a request for year-end incentive compensation for other researchers or valued staff members supporting the grants. Incentive compensation paid outside the investigator's primary department should be coordinated with and approved by the recipient's primary department.
- e. The Employee One-Time Payment (EOP) System must be utilized in accordance with relative TTUHSC operating policies. Applicable taxes will be deducted from the EOP.