

Policy on Offering Guaranteed Incentive Payments to Faculty

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Applies to:

All School of Medicine faculty and faculty hiring officials.

Reason for Policy:

This policy was developed to clarify the approval required to offer a guaranteed incentive and what conditions must exist for payment of a guaranteed incentive. The intent of the guaranteed incentive in recruiting is to provide a means to help faculty members address unique financial needs such as “tail” coverage, new housing expenses, or relocation expenses in excess of the reimbursement. When the institution is unable to meet immediate retention salary expectations, the guaranteed incentive offers transitional support.

This policy was amended to ensure compliance with Internal Revenue Code § 409(a), which requires employers to report and withhold on nonqualified deferred compensation.

Definition of Terms:

Deferred compensation – A plan or arrangement that provides for the deferral of compensation, if under its terms the employee has a “legally binding right” to compensation during the year prior, but compensation is not payable until a later year.

Guaranteed incentive – An incentive offered to hire or retain a faculty member, the amount of which is known in advance. If the guaranteed incentive is for more than one year, the amount may or may not be the same each year.

Policy Statement:

A guaranteed incentive may be offered for a maximum period of three years. All guaranteed incentive payments will be made during the normal incentive cycle, during the fall and following the close of the fiscal year upon which the incentives are based. Guaranteed incentive payments will be made at the same time all other faculty incentive payments are made.

In order to receive payment, a faculty member who has been offered a guaranteed incentive must have completed at least six months of employment during the associated fiscal year. If the faculty member has worked less than six months during the associated fiscal year, the first guaranteed incentive payment will take place the following year. An exception may be made if a faculty member's remuneration plan for the associated fiscal year can support early payment of the guaranteed incentive.

All guaranteed incentive payments shall be made no later than two and one-half months following either the faculty member's or the School of Medicine's taxable year during which the payments vest. This includes guaranteed incentive payments which are paid in subsequent tax years, as long as the payment will vest upon continued employment through that taxable year

If a faculty member has received a commitment for a guaranteed incentive and leaves the employ of the School of Medicine prior to the end of the guaranteed incentive period, the guaranteed incentive is no longer committed. Any payment after termination of employee will be based on actual performance and the clinical faculty remuneration plan or basic science incentive plan consistent with other faculty members.

Procedures:

The dean's approval is required prior to making any compensation commitment, including a guaranteed incentive offer or payment to a prospective or current faculty member.

Related Policy:

Clinical Faculty Remuneration Plan and Basic Science Incentive Plan:
<http://www.healthsystem.virginia.edu/intranet/budget-comp/faculty.cfm>

Next Scheduled Review: August 2010

Revision history: Implemented February 7, 2005; revised August 27, 2007