THE UNIVERSITY OF TEXAS MEDICAL BRANCH AT GALVESTON

SCHOOL OF HEALTH PROFESSIONS,

SCHOOL OF MEDICINE,

AND

SCHOOL OF NURSING

FACULTY COMPENSATION AND INCENTIVE PLAN
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ATTACHMENT

Addendum 1: Memorandum of Appointment Template
I. INTRODUCTION, PURPOSE, AND OBJECTIVES

A. Introduction

The Faculty Compensation and Incentive Plan seeks to support and improve patient care, research, education, and administrative service activities at the University of Texas Medical Branch at Galveston by establishing guidelines for compensation that promote accountability and alignment with departmental, school, health system as well as institutional goals and objectives. Additionally, these guidelines set the parameters used to compensate faculty members, including institutional base salary and incentive compensation. The guidelines also describe the parameters used to adjust institutional base salary when performance expectations are not met.

B. Purpose

The Plan sets Eligible Faculty Members’ total faculty compensation based on their productivity and performance, among other variables, and establishes the mechanisms used to recognize performance that exceeds expectations through incentive compensation. Thus, the Plan allows for salary increases in recognition of increased duties, accomplishments, and notable performance and for salary reductions due to diminished duties or responsibilities, accomplishments, or performance.

The Plan does not constitute a contract or grant any rights beyond those to which any Participant is already entitled. UTMB retains the right to modify or cancel the Plan or any corresponding agreement or document at any time.

C. Objectives

The Plan’s primary objectives are to:

- Identify and address any gaps that exist between current and targeted performance by mission area (i.e., clinical, research, and education);
- Ensure fairness and consistency among faculty members with regards to compensation;
- Provide a robust framework for setting total faculty compensation, including institutional base salary and incentive compensation;
- Provide individual incentive compensation to eligible faculty members to encourage and reward clinical, research, teaching, and administrative contributions that exceed expectations;
- Supply department/group, institutional, and quality or value incentive compensation for all eligible faculty members to facilitate achieving institutional objectives;
- Provide sufficient compensation to attract and retain outstanding faculty members;
- Allow the schools to be responsive to changes in the market; and
- Be understandable and transparent.
II. DEFINITIONS

“Eligible Faculty Member” means a faculty member holding the rank of Assistant Professor, Associate Professor, or Professor in UTMB’s School of Health Professions, School of Medicine, and/or School of Nursing.

“Faculty Compensation and Incentive Plan” (“Plan”) is UTMB’s approved plan for determining Total Faculty Compensation, including Institutional Base Salary and Incentive Compensation, for Participants in the Plan.

“Faculty Effort and Expectation Agreement” (“FEEA”) is a certification agreement that sets forth productivity and performance expectations for each Participant on an annual basis as established by the Department Chair/Director or Dean and approved by the Provost. Both internal and external resources such as survey data, when available, will be used to establish benchmarks that help to determine compensation tiers, institutional base salary, individual incentive compensation and/or total faculty compensation as defined by the eligibility and productivity requirements.

Full Time Equivalent (“FTE”) means a measurable unit that indicates the workload of a faculty member. Additionally, “cFTE” means clinical FTE; “rFTE” means research FTE; and “eFTE” means education FTE. Education effort in this Plan generally refers to certain, pre-defined educational activities. Compensation for resident teaching activities is included as an expectation inherent to the relevant faculty member’s rank-based salary and is supported via a separate funds flow agreement with the Health System.

“Incentive Compensation” means individual incentive compensation (when applicable), department/group incentive compensation, institutional incentive compensation, and/or quality or value incentive compensation, if applicable.

“Institutional Base Salary” means the aggregate total of a Participant’s Rank-Based Salary and any salary paid for a Titled Administrative Role, meeting Mission Expectations; and based on Individual Historical Production as specified in a Participant’s MOA and described in Section V below.

“Memorandum of Appointment” (“MOA”) means the annual appointment contract between UTMB and a faculty member holding the rank of Assistant Professor, Associate Professor, or Professor in UTMB’s School of Health Professions, School of Medicine, and/or School of Nursing, consisting of: the Participant’s annual estimated Total Faculty Compensation; Acknowledgement of Receipt of Annual Electronic Faculty Effort and Expectation Agreement; and the Covenant Not to Compete Agreement (where applicable).

“Participant” means an Eligible Faculty Member who meets the eligibility criteria specified herein and is designated on or before March 1 of the Plan Year as a Participant in the Plan by
the Dean of the Eligible Faculty Member’s respective school, the Provost, and the Plan Administrator.

“Plan Administrator” means the President of UTMB, or Provost as designee of the President of UTMB, who shall be the administrator of the Plan and have the discretionary authority to make all determinations in response to questions arising in connection with the Plan, including its interpretation and the adoption of procedural rules. The Plan Administrator may employ and rely on such legal counsel, accountants, and agents as he or she may deem advisable to help administer the Plan. Decisions of the Plan Administrator shall be conclusive and binding on all persons, including, but not limited to, the reformation of individual, department/group, or institutional goals.

“Plan Year” means September 1 through August 31.

“Ramp-Up Time” means an agreed-upon period of time (as set forth in the faculty member’s offer letter) by the Department Chair/Director, Dean, and/or Provost, or the designee of the Provost, given to a new faculty member to meet his or her productivity and performance expectations and/or applicable mission-specific FTE requirements. During the agreed-upon Ramp-Up Time, the new faculty member will not be subject to any salary adjustment and will be ineligible to receive any individual or department/group incentive compensation. However, during the agreed-upon Ramp-Up Time, the new faculty member will be eligible to receive institutional incentive compensation.

“Separation from Service” means a Participant’s termination of employment with UTMB.

“SHP” means the UTMB School of Health Professions.

“SOM” means the UTMB School of Medicine.

“SON” means the UTMB School of Nursing.

“Total Faculty Compensation” means the aggregate total of a Faculty Member’s Institutional Base Salary and Incentive Compensation.

“UTMB” means The University of Texas Medical Branch at Galveston.

III. ELIGIBILITY AND DESIGNATION AS A PARTICIPANT

Faculty members who meet the following criteria may be designated as Participants in the Plan by the Dean of their respective school, the Provost, and the Plan Administrator:

1. Hold the rank/title of Assistant Professor, Associate Professor, or Professor in the SHP, SOM, and/or SON; and
2. Meet the mission-specific requirements as set forth below in Section IV, Eligibility and Mission Components; and

3. Have a total FTE of 0.50 or greater.

IV. ELIGIBILITY AND MISSION COMPONENTS

The following are eligibility requirements for participation in the Plan and guidelines for the respective mission relative to assessment frequencies, incentive payouts, and salary adjustments.

A. Clinical Mission

To be eligible for designation as a Participant in the Plan, the Eligible Faculty Member must:

- Hold the rank of Assistant Professor, Associate Professor, or Professor; and
- Have cFTE designated in the faculty member’s FEEA.

The Department Chair/Director or Dean shall:

- Define the expected cFTE in the faculty member’s FEEA;
- Define expected Ramp-Up Time carefully where the expectation is that one to three years would be appropriate in most instances depending on specialty; additional Ramp-Up Time requests must be approved by the Provost, or the designee of the Provost; and
- Submit plans for assessing performance, including converting non-wRVU generating activities (i.e., contracts) to wRVUs for evaluating performance expectations, and applicable incentives for all Participants to the Plan Administrator or Provost for approval before the start of every Plan Year.

Assessment Frequencies, Incentive Payouts, and Performance Based Reductions and Salary Restoration:

- Clinical productivity shall be assessed annually based on a 12-months period of performance as designated by the Plan Administrator based on the timing for the issuance of an MOA;
- The Plan Administrator shall determine to pay all or a portion of an individual’s compensation attributable to clinical productivity monthly during any given Plan Year;
• Any earned but unpaid individual compensation attributable to clinical productivity will be paid within a reasonable amount of time after the close of the financial statements for the Plan Year;
• The Plan Administrator may set maximum compensation thresholds based on productivity benchmarks at its discretion;
• Recognition for individual performance that goes beyond expectations will be recognized within the Incentive Compensation component of compensation as described in Section V below. For example, Clinical Faculty Member Participants who meet the eligibility criteria may be paid a graduated percentage of their collections per wRVU or ASA unit after exceeding the specified wRVU/ASA unit goals set forth in advance in the Participant’s verified annual FEEA;
• Eligible Clinical Faculty Members may also receive department/group incentives, institutional incentives, and quality or value incentives as set forth in Section V of the Plan; and
• Assessments for Rank-Based Salary Component, a Titled Administrative Pay Component (if applicable), Mission Expectations, Individual Historical Production Component, and Incentive Compensation, as described in Section V below, and increases or decreases in Total Faculty Compensation based on clinical productivity and other contributions will occur at the end of each Plan Year and will be reflected in the Participant’s MOA and FEEA.

B. Research Mission

To be eligible for designation as a Participant in the Plan, the Eligible Faculty Member must:

• Hold the rank of Assistant Professor, Associate Professor or Professor with an independent research effort and individual responsibilities as stipulated in the faculty member’s offer letter, MOA, and/or FEEA; and
• Have rFTE designated in the faculty member’s FEEA.

The Department Chair/Director or Dean shall:

• Define the rFTE and extramural salary coverage expectations in the faculty member’s MOA; and
• Define and adhere to the expected Ramp-Up Time defined by the Research Faculty Member’s offer letter subject to approval by the Dean and Provost, or the designee of the Provost. All extensions also require approval by the Provost, or the designee of the Provost.

Assessment Frequencies, Performance Based Reductions, and Salary Restoration:
• Research assessments for Incentive Compensation occur at the end of each Plan Year;
• Recognition for individual performance that is beyond expectations will be recognized within the Incentive Compensation component. For example, Research Faculty Members may receive incentive (annual) payments for supporting more of their salary on extramural sources (excluding gifts and endowments), as measured by their research effort expectation set forth in the Participant’s verified annual FEEA (i.e., contact hours, course credit, FTE, etc.);
• Only Plan Participants who generate at least 50% institutional base salary replacement support through research grants, contracts, or other approved externally sponsored programs are eligible for individual research incentive compensation. The standard formula for the calculation of research incentive awards is the dollar value of the salary support generated multiplied by the percentage of salary support generated multiplied by an additional factor determined by the Plan Administrator from time to time. For the individual incentive compensation calculation, salary is the lower of institutional annual base salary or the salary cap established by National Institutes of Health. The distribution of the incentive compensation as direct payments to Plan Participants may not exceed a maximum of 30% of Institutional Base Salary or the salary cap established by the National Institutes of Health;
• The Plan Participant must request funds for full cost recovery of equipment and appropriate services and facilities in all sponsored project proposals. Individual research incentive compensation shall not be based on sponsored projects for which there are voluntary cost sharing and/or voluntary indirect cost waiver agreements in place;
• Assessments for Rank-Based Salary Component, a Titled Administrative Pay Component (if applicable), Mission Expectations, Individual Historical Production Component, and Incentive Compensation, as described in Section V below, and increases or decreases in Total Faculty Compensation based on a Research Faculty Member’s contributions will occur at the end of each Plan Year and will be reflected in the Participant’s MOA and FEEA; and
• Eligible Research Faculty Members without independent, individual research effort are eligible for department/group incentives, institutional incentives, and quality or value incentives as set forth in Section V of the Plan.

National Institutes of Health (“NIH”) salary limitations

• NIH policies and procedures require a Research Faculty Member’s Direct Salary requested on an NIH grant submission to be calculated by multiplying the proposed Research Effort (i.e., the percent effort to be expended by the Researcher on the grant) by the annualized Institutional Salary, which is called the Institutional Base Salary in NIH policy. For purposes of calculating the Direct Salary, there is a salary cap of the current federal Executive Level II salary level, which is defined by Congress
each year. If a Research Faculty Member’s annualized Institutional Salary from UTMB exceeds the federal cap, the current monetary level of the federal cap in conjunction with the proposed percent Research Effort must be used to calculate the Direct Salary proposed in the NIH Grant submission and

- This calculation for the purpose of NIH grants limits both: (1) the amount of a Research Faculty Member’s salary that may be awarded; and (2) then charged by the institution to the NIH grant that has been awarded.

### C. Education Mission

To be eligible for designation as a Participant in the Plan, the Eligible Faculty Member must:

- Hold the rank of Assistant Professor, Associate Professor, or Professor; and
- Have eFTE designated in the faculty member’s FEEA.

The Department Chair/Director or Dean shall:

- Define the eFTE and expected teaching responsibilities in the faculty member’s MOA; and
- Review trend data and forecasted teaching assignments for any given Plan Year to project increases or decreases in undergraduate or graduate teaching responsibilities for eligible programs (e.g., excluding residency training activities). The respective school administrators will review educational needs and recommend what educational activities should be approved before each Plan Year begins.

Assessment Frequencies, Overload Payments, and Performance Based Reductions and Salary Restoration:

- Educational assessments for Overload Compensation occur at the end of each Plan year and recognition for individual performance that goes beyond expectations will be recognized within the Overload Compensation component of compensation; Directors of educational activities or those with equivalent responsibilities (i.e., Course and Clerkship Directors in the SOM and Directors of Clinical Education or Fieldwork Directors in the SHP) are eligible for an additional incentive compensation for exceeding agreed upon expectations (“Stretch Goals”) as set forth by the Assistant Dean for Educational Affairs or equivalent and approved by the relevant school Dean or his or her designees as well as the Plan Administrator and/or Provost; Eligible Education Faculty Members whose Dean, Chair, and/or Program Director determine that they will substantively exceed their education responsibilities—i.e., by exceeding school/department-specific contact or credit hour thresholds—will
receive additional overload compensation as part of their Institutional Base Salary as outlined in the MOA and FEEA;

- Eligible Education Faculty Members also remain eligible for department/group incentive, institutional incentive, and quality or value incentive as set forth in Section V of the Plan; and
- Assessments for Rank-Based Salary Component, a Titled Administrative Pay Component (if applicable), Mission Expectations, Individual Historical Production Component, and Incentive Compensation, as described in Section V below, and increases or decreases in Total Faculty Compensation based on an Education Faculty Members contributions will occur at the end of each Plan Year and will be reflected in the Participant’s MOA and FEEA.

V. OVERVIEW OF COMPENSATION STRUCTURE

Total Faculty Compensation is comprised of six possible components:

A: Rank-Based Salary Component  
B: Titled Administrative Role Component (if applicable)  
C₁: Mission Expectations Component  
C₂: Individual Historical Production Component  
D₁: Individual Incentive Compensation Component  
D₂: Group Incentive Compensation Component

**Institutional Base Salary (A + B + C₁/C₂)**

Components A, B, and C₁/C₂ together constitute a Participant’s Institutional Base Salary and will be set forth in the written, annual Memorandum of Appointment (“MOA”) approved by the Dean of the Participant’s respective school, the Provost, and the Plan Administrator.

For grant proposals to external agencies, Participants’ salaries will be based on their Institutional Base Salary (A + B + C₁/C₂). For example, each Participant’s Institutional Base Salary will serve as the basis for calculation of the “direct salary” included on NIH grant or cooperative agreement proposals or applications, subject to stated NIH salary limitations as noted above.

**Rank-Based Salary Component (A)**

Each Participant’s Rank-Based Salary Component will be determined annually as follows:

\[ A = (FTE) \times \text{(Base Salary)} \]
Base salaries are determined according to rank as follows (for full-time faculty members):

<table>
<thead>
<tr>
<th>Rank</th>
<th>Base Salary</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professor</td>
<td>$80,000</td>
</tr>
<tr>
<td>Associate Professor</td>
<td>$65,000</td>
</tr>
<tr>
<td>Assistant Professor</td>
<td>$55,000</td>
</tr>
</tbody>
</table>

The base salary values listed above will be reviewed and assessed on an ongoing basis by the Plan Administrator and/or designee(s) and may be modified from time to time.

The Rank-Based Salary Component is intended, in part, to identify the amount of compensation associated with fulfilling selected faculty responsibilities.

**Titled Administrative Role Component (B)**

Titled administrative role responsibilities will be reviewed annually by the President and/or Provost, and effort will be allocated as needed. For Participants with titled administrative role responsibilities, any compensation for administrative duties is part of their Institutional Base Salary, but the administrative appointment and the associated compensation for that responsibility is without term and is subject to termination at the pleasure of the President and/or Provost. Consequently, upon review, the President and/or Provost may terminate a Participant’s administrative appointment with or without notice. Additionally, if a Participant’s administrative appointment ends, compensation for the associated administrative duties will also end or the Participant’s job responsibilities will be reallocated immediately. If the latter occurs, the President and/or Provost will adjust the Participant’s compensation to reflect the reallocated effort.

**Mission Expectations and Individual Historical Production (C\(^1\) and C\(^2\))**

This component of a Participant’s Institutional Salary will be based upon, among other things, the Participant’s market value by subspecialty or discipline. Both internal and external resources such as survey data, when available, will be used to establish benchmarks for market value. Additionally, a Participant’s individual productivity and performance, as evaluated by the Department Chair/Director or Dean of the Participant’s respective school and as approved by the Plan Administrator and/or Provost, and contributions to departmental and institutional missions will provide a basis for calculating this salary component. During the Plan Year, a comprehensive salary review will be performed by the Provost Administrative Office to benchmark UTMB’s institutional salaries to local and regional markets. The data/results will be shared with the Department Chairs/Directors, Deans, and Provost, at which time the Department
Chairs/Directors and/or Deans may recommend to the Provost any salary adjustments to Participants’ Mission Expectations and Individual Historical Production (C₁ and C₂).

The Mission Expectations Component (C₁) is intended for use with eligible faculty members who are in the Ramp-up Time or who are performing at or below a minimum expectation of performance as determined by the Plan Administrator in the FEEA and set forth in the MOA. The Individual Historical Production Component (C₂) is intended for use with eligible faculty members who have an established performance record within specific missions at UTMB.

No later than June 1 prior to each Plan Year, each Participant’s respective Department Chair/Director or Dean shall recommend an amount for this salary component to the Plan Administrator or his/her designee(s). However, the Plan Administrator or Provost will make the final decision regarding this salary component for each Participant. The final Mission Expectations and/or Individual Historical Production (C₁ and C₂) will be established no later than July 31 prior to each Plan Year, the date that Participants receive their MOAs. In addition, the Plan Administrator or Provost will make the final decision about any changes in the other Institutional Base Salary components. To be eligible for an equity and/or market salary adjustment, the Participant must be in his or her current job class for six months with satisfactory job performance.

Each Participant’s Mission Expectations and Individual Historical Production Component (C₁ and C₂) may be adjusted downward annually if the Participant does not meet his or her individual productivity and performance expectations and benchmarks as determined by the Department Chair/Director or Dean and as approved by the Plan Administrator and/or Provost. Productivity performance will be coordinated and assessed centrally. Gaps between current and targeted performance by mission area may be addressed by reassigning a Participant’s effort to other missions (e.g., additional clinical activities, increased compensated teaching assignments, team-based research efforts, etc.). Whenever possible, this reassignment will occur before each Plan Year begins. Each Participant will receive his or her individual productivity and performance expectations and benchmarks as set forth in a Participant’s annual electronic FEEA no later than July 31 prior to each Plan Year.

If a Participant’s Department Chair/Director and/or Dean of the respective school disagrees with any proposed reduction in the Participant’s Institutional Base Salary, the Department Chair and/or Dean of the respective school may submit an appeal in writing to the Plan Administrator or Provost within ten (10) business days of notification of the Participant’s proposed reduction. The Plan Administrator or Provost will have ten (10) business days to consider the Department Chair’s and/or Dean’s written objection and to issue a decision in writing regarding any proposed reduction in the Participant’s Institutional Base Salary.
Once a decision has been made regarding any proposed reduction in the Participant’s Institutional Base Salary, the Participant may file a grievance regarding salary calculations under the Plan as set forth in UTMB’s IHOP Policy 5.3.8 - Faculty Grievance Policy.

The MOA must be executed and returned before the applicable Plan Year or, in the case of a Faculty Member who meets the eligibility criteria, before they are designated as Participants.

**Incentive Compensation (D1/D2)**

Incentive Compensation \((D_1/D_2)\) consists of the following:

- Individual incentive compensation, paid annually based on mission \((D_1)\);
- Department/group incentive compensation, paid annually \((D_2)\);
- Institutional incentive compensation, paid annually \((D_2)\); and
- Quality or Value incentive compensation, paid annually \((D_2)\).

Faculty members who meet the eligibility requirements as defined in Section IV, Eligibility and Mission Components, may be eligible for individual incentive compensation if a Participant’s performance exceeds his or her specified productivity and performance expectations and benchmarks as set forth in his or her annual FEEA. The Department Chair/Director, Dean of the Participant’s respective school, and the Provost or their designees will oversee individual performance monitoring relative to incentive criteria and overall objectives. The individual incentive compensation component will be adjusted annually.

In addition, all Participants, as defined in Section IV, Eligibility and Mission Components, and are also eligible to receive department/group, institutional, and/or quality or value incentive compensation to recognize achievement relative to objectives that are established at the departmental or institutional level. A percent of all incentive funds that are available each Plan Year will be allocated to the Provost to recognize notable quality or value improvements or accomplishments in patient care, education, or research as defined in advance by the Plan Administrator or his/her designee(s). All department/group and institutional incentive compensation will be paid by UTMB to Participants no later than December 1 after the end of the applicable Plan Year, August 31 (subject to the Rules and Regulations of the Board of Regents of The University of Texas System).

Clinical Participants who fail to meet individual expectations during any quarter of the Plan Year may still be eligible to receive individual Incentive Compensation \((D_1)\) based on their achievement of their individual expectations for the entire Plan Year. Participants who fail to meet individual expectations during a Plan Year may still be eligible to receive department/group, institutional, and quality or value Incentive
Compensation ($D^2$) based on their contributions to the objectives approved for those components.

Furthermore, incentive compensation is subject to the review and approval by the Participant’s Department Chair/Director and/or Dean of the Participant’s respective school. **If a Participant’s institutional citizenship is deemed unsatisfactory by the Participant’s Department Chair and/or Dean of the Participant’s respective school, incentive compensation may be withheld at the discretion of the Provost.** Institutional citizenship includes, but is not limited to: (1) compliance with all required training; (2) adherence to UTMB’s Standards of Conduct Guide as well as UTMB’s policies and procedures and the Rules and Regulations of the Board of Regents of the University of Texas System; (3) timely completion of all required compliance trainings; (4) timely completion of patient billing and documentation; (5) timely completion of accreditation requirements; (6) adherence to operations and management efficiency; (7) productive participation in UTMB/School/Department’s quality initiatives, committees, outcomes and efforts; (8) support of UTMB/School’s strategic priorities; (9) explicit participation of schools in state education programs; and (10) appropriate recordkeeping.

**Incentive Payment Options:**

In addition to meeting the specified eligibility requirements set forth in Section IV above, Eligible Faculty Members must have worked at least three months in the position to receive a prorated payment.

- **Individual Clinical Incentive Payments:** Participants earning individual incentive compensation based on exceeding expectations relative to their assigned clinical effort are eligible to be paid on a monthly and annual basis as specified in the Plan. Clinical Incentive Payments are considered creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Participants who work a portion of a period maybe eligible for partial payment.

- **Individual Research Incentive Payments:** Participants earning individual incentive compensation based on exceeding expectations relative to their assigned research effort are eligible to be paid annually as specified in the plan. Research Incentive Payments are considered creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Participants who work a portion of a period may be eligible for partial payment.

- **Department/Group Incentive Payments:** Department/Group incentive compensation is in addition to individual incentive compensation. Participants are eligible to be paid annually. Department/group incentive compensation may be paid if a Participant’s Department achieves objectives as measured by associated metrics and set by a Participant’s Department
Chair and approved by the Dean of the Participant’s respective school. Group objectives can also be established at the School level. Department/Group Incentive Payments are considered creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Participants who work a portion of a period may be eligible for partial payment.

- **Institutional Incentive Payments**: Institutional incentive compensation is in addition to individual incentive compensation. Participants are eligible to be paid annually as specified in the Plan. Institutional incentive compensation may be paid if UTMB Health System achieves its annual operating margin plus coverage for capital expenditures. Institutional Incentive Payments are considered creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Participants who work a portion of a Plan Year may be eligible for partial payment.

- **Quality or Value Incentive Payments**: Participants are eligible to receive incentive payments for meeting pre-defined and approved metrics in patient care, research and/or education. Metrics will be weighted and payments prorated upon successful achievement of the approved objectives. Participants who hold the rank of Assistant Professor, Associate Professor and Professor are eligible. The metrics are intended to increase quality and to improve outcomes relative to institutional priorities.

- **Supplemental Retirement Payments**: Participants are eligible to be paid on a quarterly or annual basis as specified in the Plan. Supplemental Retirement Payments are not considered creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Participants who work a portion of an SRP period will not be eligible for partial payment.

Incentive Compensation payments are subject to all applicable salary deductions (e.g., FICA, federal taxes) and must be reported to the IRS as salary and wages. Depending on the date of a Participant’s hire, state and/or federal law may also impose a cap on the amount of salary and wages that can be counted as creditable compensation for calculating retirement benefits. Incentive compensation payments are considered compensation for purposes of Participant contributions to the UTSaver Deferred Compensation Plan (DCP) and the UTSaver Tax-Sheltered Annuity (TSA) Program.

**Education Overload Compensation**

- The Education Overload Component is intended for use with eligible faculty members whose Dean, Chair, and/or Program Director determine that they will substantively exceed their education responsibilities—i.e., by exceeding school/department-specific contact or credit hour thresholds.
• **Individual Educational Overload Payments**: Participants earning individual overload compensation based on exceeding expectations relative to their assigned teaching effort for the Plan Year are eligible to be paid annually as specified in the Plan. Educational Overload Payments are considered creditable compensation for purposes of retirement contributions to the Teacher Retirement System of Texas or the Optional Retirement Program. Participants who work a portion of a period may be eligible for partial payment.

To receive Incentive Compensation (D₁/D₂) and Education Overload payments, Participants must have served at least six months of active employment (actual time worked) during the Plan Year and be on the UTMB payroll as an active employee on the date incentive compensation payment is made. These requirements are subject to the following exceptions:

• **Leave of Absence**

  Participants who take a leave of absence during the Plan Year must serve at least a combined three months of active employment (actual time worked) during the Plan Year to remain eligible to receive a prorated payment of Incentive Compensation. The period of time for which he/she was absent will be excluded from the individual’s incentive calculations.

• **Death**

  If a Participant dies during the Plan Year or before receipt of payment of Incentive Compensation, a prorated payment of Incentive Compensation will be paid to the Participant’s estate, provided the Participant served at least three months of active employment (actual time worked) during the Plan Year.

• **Retirement**

  Participants who retire during the Plan Year or before payment of Incentive Compensation must serve at least three months of active employment (actual time worked) during the Plan Year prior to retiring to remain eligible to receive a prorated payment of Incentive Compensation.

• **Participation after a Separation from Service**

  A Participant who experiences a Separation from Service but is subsequently rehired in the same Plan Year must serve at least a combined three months of active employment (actual time worked) during the same Plan Year to remain eligible to receive a prorated payment of Incentive Compensation.
- **Formal Corrective Action**

  A Participant under formal corrective action (including, but not limited to, letters of reprimand, memorandums of concern, and suspension) during the Plan Year will remain eligible to receive payment of Incentive Compensation only if documented improvement occurs prior to the end of the Plan Year. A Participant with an overall performance evaluation rating of “Does Not Meet” for the Plan Year will not be eligible to receive Incentive Compensation.

**VI. FUNDING SOURCES**

All funds available to compensate Participants may be derived from multiple sources including, but not limited to, the following:

- Professional fees including fees generated for patient care services;
- Grant and contract support;
- State Appropriations;
- President’s Office;
- Health System Endowment Operating Funds;
- Philanthropy;
- Affiliated agency support; and/or
- Professional and/or medical legal consultation.

**VII. REVIEW AND APPROVAL**

All Participants must adhere to the guidelines in this Plan. The Plan Administrator, or Provost acting as designee of the Plan Administrator, has the authority to grant exceptions.

**VIII. FACULTY POLICIES AND PROCEDURES**

The following UTMB Institutional Handbook of Operating Procedures (“IHOP”) faculty policies provide additional guidance regarding the application of the Plan:

**A. IHOP Policy 5.5.7 Institutional Faculty Compensation Committee**

The Institutional Faculty Compensation Committee was chartered to implement UTMB’s commitment to a fair compensation process that reflects industry trends
as well as the individual merits of its faculty members. Specifically, UTMB’s Institutional Faculty Compensation Committee reviews and advises the President regarding compensation policy and programs for faculty.

B. IHOP Policy 5.3.8 Faculty Grievance Policy

This policy outlines the procedure for resolving faculty grievances that have not been resolved through reasoned discussion.

More information may be found in both of these policies in the UTMB IHOP.

IX. COVENANT NOT TO COMPETE AGREEMENT

The following Participants will be subject to UTMB’s Covenant Not to Compete Agreement:

- All Clinical Faculty Members hired on or after September 1, 2017, who will serve as Primary Care Providers or Specialty Care Providers.

The above-referenced Faculty Members’ MOAs will contain a Covenant Not to Compete Agreement as set forth in Addendum 1. In consideration of the Covenant Not to Compete Agreement, UTMB agrees to give the above-referenced Faculty Members specialized training and access to confidential information and trade secrets, including, but not limited to confidential patient information, confidential healthcare services information, and confidential business-related financial information. The Covenant Not to Compete Agreement is reasonable and includes enforceable geographical, scope of activities, a buyout provision, and time restrictions as specified in Addendum 1.

X. TERMINATION OF THE PLAN

The Plan Administrator reserves the right to alter, enhance, or terminate the Plan at any time. In the event the Plan is terminated, no further obligations or benefits under the Plan shall continue to accrue or exist. However, any obligations accrued as of the date of termination shall be paid as scheduled, subject to the payment requirements of the Plan.

UTMB has adopted this Plan and caused it to be executed on the date below, to become effective as of September 1, 2019, regardless of the date of execution.