

East Tennessee State University¹

Incentive Compensation Plan

Purpose

The incentive pay plan seeks to reward faculty members with incentive pay based on salary recovered from external funding sources. The maximum incentive will be determined after deduction for any at risk salary amounts to be paid from extramural funding, with 50% of the salary paid by the grant being recovered by the college/department, while the other 50% may be used for incentive payment.

Employer contributions for FICA, FICA Med, and retirement will be paid from the percentages to be paid to the faculty member.

Incentive Pay Procedure

Faculty seeking incentive pay must obtain external funding for (part of) their base salary in addition to any at risk amounts to be paid from external sources and negotiate an agreement approved by their chair, dean and vice-president.

External Funding Proposal

For faculty to be eligible for incentive compensation, the external sponsor must provide funding for a portion of their base salary, all associated benefits, and the maximum Facilities and Administration (also known as indirect cost) rate allowed by the sponsor's formal policy. The Vice-Provost for Research and Sponsored Programs will determine whether or not the external funding meets these criteria.

In order to comply with federal cost principles outlined in Office of Management and Budget Circular A-21, it is important that the cost to the external sponsor remain unchanged as a result of the incentive pay plan. In general, federal grants do not allow extra compensation to be charged directly to a federal grant. However, a percentage of the faculty member's base salary, commensurate with his/her level of effort, may be charged to the grant.

Faculty Incentive Pay Plan Agreement

The purpose of this agreement is to create an understanding among faculty, chairs, dean, and vice president regarding the disposition of base salary budget recovered from external funding sources.

1. Before any incentive can be paid, the needs of the college/department must first be met. Grant or contract activity may entail buy-out of the faculty member's teaching and/or clinical or service responsibilities, requiring the engagement of a temporary instructor or loss of clinical or service revenue. The cost of temporary instruction, estimated loss of clinical revenue, or other costs should be specified in block A1 of the agreement.
2. At the discretion of the chair and dean, other costs associated with the faculty member's external funding activities may also require additional expenditure of college or departmental funds. The amount of other costs should be included in block A2.
3. Some faculty may have research appointments with contracts that require that they bring in external funding to pay a percentage of their base salary. Faculty in this case must first recover that portion of their base salary before being eligible for incentive pay; in this situation, the

¹ Plan applicable to all colleges except the Quillen College of Medicine, which has a plan previously approved by TBR.

amount or percentage which must be recovered should be specified in block A2 of the agreement. After repaying the college the amount or percentage specified in block A2 or any other cost assessments as specified in item 2 above, research faculty may receive incentive pay.

4. The college/department is not required to pay the maximum incentive. Rather, the chair or dean may negotiate incentive percentages less than specified in the Purpose in order to meet the department or college needs. Block B should be used to document the agreed upon incentive percentage.
5. The comment section should be used to document the expected course load or other assigned duties upon which the agreement was based. Faculty, chairs, and deans should re-negotiate the agreement when faculty members receive multiple awards.
6. The agreement should be reviewed every year; changes should be made only to address unforeseen circumstances.

Determining Faculty Required Incentive

- A. To compensate the college and department for costs in replacing the faculty member's contributions, specify the amount for temporary instruction and/or estimated clinical revenue in block A1 of the agreement and other departmental needs in block A2 of the agreement.
- B. Negotiate an equitable incentive compensation percentage not to exceed the percentages outlined in purpose above with the caveat that Items A and B cannot exceed the amount of salary recovery. Specify this percentage in block B of the agreement.

Salary recovery funds left after faculty replacement costs, estimated clinical or service revenue and incentive compensation remain with the college/department for its discretionary use. This amount cannot be calculated until the precise amount of salary recovery for the year has been determined.

To request payment following each semester or year, faculty must submit an extra pay request, copy of their effort certification form to document their effort on the sponsored project, and a copy of the agreement.

Payment

Department verifies work performed and initiates Request for Extra Compensation for ETSU Employees form.

The deadline is the 5th of the month for payment at the end of the month. The Request for Extra Compensation for ETSU Employee form with Attachments will be reviewed and approved by the Chair, Dean and appropriate Vice President prior to submitting the request for payment by the 5th of the month for payment by the end of the month.

To receive incentive compensation the faculty member must have a current paid appointment.

Incentive Compensation Request Form

Faculty Name:

<p>A. Department Share of Recovery per Semester (Off-The-Top of Faculty Incentive)</p> <p>The off-the-top department share must be adequate to cover the costs incurred by the department</p> <ol style="list-style-type: none"> 1. Faculty Replacement Costs (Temporary Instruction) 2. Other Departmental Needs 3. Estimated Lost Clinical or other Revenue 	<p>Salary \$XX, 000</p> <p>Buyout XX% = \$XX, 000</p> <p>\$ _____</p> <p>\$ _____</p> <p>\$ _____</p>
<p>B. Faculty Incentive Percentage of Recovery</p>	<p>%</p>
<p>Comments (such as course load or other assigned activities).</p>	

This agreement will be reviewed by faculty and chair/dean every year and must be signed by all parties.

Faculty Member	_____
Vice Provost for Research	_____
Chair of Department	_____
Dean	_____
Senior Vice President for Academics	_____