FACULTY INCENTIVE PLAN
Missouri University of Science and Technology
For Period 7/1/2016 to 6/30/2021

Goals

Consistent with Missouri S&T's strategic plan, the intent of the faculty incentive plan is to:

- Encourage the generation of externally funded grants, contracts, and similar new resources;
- Reward and retain high-performing faculty;
- Encourage the highest level of performance from faculty.

Definition

Faculty incentive pay is a payment based upon performance measures; specifically, the ability of faculty to cover a portion of their Institutional Base Salary (IBS) by the generation of externally sponsored grants, contracts, and similar new allowable sources as identified below. In general, incentive payments are made from allowable sources of funds which are generated by the faculty member's own efforts. Incentive pay supplements one's institutional base salary. It is paid within the 9-month academic year but does not reflect reportable effort. In other words, incentive pay is a one-time incentive paid within an academic year. Incentive pay is not extra compensation earned by performing duties beyond one's usual workload within an academic year appointment.

Eligibility

Any tenure/tenure-track or NTT faculty member, with a primary title as faculty, is eligible to participate in the faculty incentive plan, including department chairs (specifically, faculty with job codes 890, 930, 1170, 1700, 3148, 3315, 3481, 3503, 7142, 7144, 7146, 7160, 7676, 7677, and 7690). Full-time administrators, with an administrative title such as a Vice Provost and above, are not eligible to participate.

Eligible faculty may participate in the incentive plan when they meet specific performance measures, defined by the ability to cover a portion of their salary. To be eligible, faculty on 9-month appointment must have funded a minimum of 2/9 of their Institutional Base Salary in the summer prior to the deadline for identifying the source of incentive funds, as defined below. The summer salary support must be paid from faculty generated accounts (e.g. from grants, contracts, indirect return, etc.). In the special cases where faculty are paid 2 months of summer salary from General Revenue Allocation (GRA) funds for administrative and/or teaching duties, they must provide themselves with an additional 1/9 of their academic year salary paid from their faculty generated accounts. Tenure/tenure-track faculty on 12-month administrative appointment must offset at least 1 month of their appointment from their eligible faculty generated accounts in order to participate. The funds from the 1 month offset will be retained in the department to cover the administrative load. Non-tenure-track research faculty on 12-month appointment must cover at least 1/6 of their 12-month salary (i.e. 2-months) from grants and contracts on which they are principal...
incentive. Salary offsets must be paid before the deadline for identifying sources of incentive funds.

Sources of Faculty Incentive Pay

Allowable sources for incentive pay include indirect return funds, closed fixed price chartstrings, and distance and continuing education revenues generated by the faculty member receiving the incentive.

Funds from GRA accounts and grants/contracts cannot be used as incentive pay, because salary paid from GRA accounts and grants/contracts must reflect reportable effort (See UM System Accounting Policies and Procedures - Policy Number APM-60.37 and consistent with Federal policy – OMB Uniform Guidance). In the case of grants/contracts that have specific funds budgeted for course release, these funds should be used to pay for the release of teaching effort. However, if the course release is not taken and the faculty member continues to teach a full course load, then the faculty member may request, with approval from the Department Chair and College Dean, to transfer a portion of the general revenue funds budgeted for teaching to the department's incentive fund. It may then be used to pay the faculty member's incentive. The portion of the GRA funds that may be transferred is up to the full salary released minus benefits and cannot be larger than the release time paid by the faculty member. The released benefits will remain with the department. This is the only instance where GRA funds may be used to fund the incentive payment.

Endowments or other charitable gift accounts, including endowed professorships, may also be used to fund incentive pay when they are specifically authorized by gift agreements or legal documents to allow for salary enhancement. If gifts, endowments, or other foundation accounts are proposed for incentive pay, then an in-depth review of the fund(s) will be conducted by the College and the Office of University Advancement. If the funds are deemed compliant, then the incentive pay must be approved by the College Dean, and the Vice Chancellor for University Advancement.

Implementation

The maximum amount of incentive pay allowed each year is 30% of one's institutional base salary. This institutional base salary does not include incentive funds awarded during previous years (See UM System Accounting Policies and Procedures - Policy Number APM-60.37 and consistent with Federal policy – OMB Uniform Guidance).

Incentive pay will normally be paid from a 0000 fund maintained by the faculty member's home department. Each year, eligible faculty may request that funds are transferred to the department's incentive chartstring from funding sources as identified above, subject to the approval of the Department Chair and College Dean. The Department Chair and College Dean shall consider the following criteria in determining whether to approve the request for incentive compensation:

(1) whether the faculty member has met the eligibility requirements;
(2) whether eligible funds exist to fund the request;

Missouri S&T Faculty Incentive Plan For Period 7/1/2016 to 6/30/2021

2 | Page
(3) whether the amount of the request exceeds 30% of institutional base salary.

This request will be processed through a Faculty Incentive Request Form submitted by the faculty member. Unless otherwise specified the deadline for submitting the Faculty Incentive Request Form will be April 30th. Transferred funds will be used to pay the faculty member’s incentive. The College Dean will review and authorize the transfer of money to the department’s incentive chartstring. The use of a separate chartfield string in each department helps to provide better oversight and ensure that appropriate funds are available before they are paid. If the College Dean is uncertain whether funds are eligible to be used for the incentive, s/he may refer the issue to the Provost. Funds should be made available in the chartstring by an annual deadline set by the University preceding the fiscal year in which they will be disbursed. Sufficient funds should be made available to pay the incentive over the entire year. Please note that incentive pay is subject to Federal withholding, but not University benefits.

Consistent with UM System Accounting Policies and Procedures and with Federal Policy, incentive pay cannot count toward retirement calculations and cannot be used to determine summer salary (See FAQ). All summer salary calculations will be based on the faculty member’s institutional base salary (i.e., base salary excluding any previous incentive pay).

To give an example of how the incentive might be paid, consider plan-eligible Faculty Member X, whose institutional base salary is $90,000 and who meets the eligibility criteria identified above. Faculty Member X may be paid up to 30% of his or her institutional base salary as incentive (i.e. 30% of $90,000 or $27,000). Before the deadline, Faculty Member X submits the Faculty Incentive Request Form to apply for the incentive. If approved, an additional pay form is filled out by the department with the code INC, for the incentive that may be received on a one time basis or in monthly increments.

Oversight

Non-typical proposals for incentive pay (i.e. other than those defined above) will be reviewed by the College Dean, the Provost, and the Vice Chancellor for University Advancement (when the incentive funding source is a gift account).

All sources of funds used for incentive pay will be reviewed annually by the College Dean and Campus fiscal officers.

Review

The faculty salary incentive plan will be reviewed at least every 5 years. The review will be performed by an ad hoc committee formed by the Provost for this exclusive purpose. This committee will recommend changes to the faculty salary incentive plan if any changes seem appropriate. The faculty salary incentive plan must have chancellor and presidential review and approval every five years, or whenever the process is modified. A first-year program review is recommended at the end of FY17, in order to assess the effectiveness of the initial implementation.

Missouri S&T Faculty Incentive Plan For Period 7/1/2016 to 6/30/2021
Responsibilities

- Faculty member: Meet or exceed the performance measure to become eligible to participate in the incentive plan. Submit the Faculty Incentive Request form to apply for the incentive.
- Department chair: Review and approve the Faculty Incentive Request Form. Approve transfer of compliant funds to the departmental incentive chartstring after receiving approval from College Dean.
- College Dean: Review and approve transfer of compliant funds to departmental incentive chartstring. Review funds for compliance.
- Provost: Review special exceptions, non-typical proposals and routine review.
- Chancellor: Conduct a review of the incentive program every five years.
- Office of Sponsored Programs, Compliance Officer: Responsible for the compliance of external funds.
- Vice Chancellor for University Advancement: Verify appropriate use of gift funds for incentive pay.

Provost

Date

Chancellor

Date

President

Date
Frequently Asked Questions (Updated July 25, 2017)

1. Why was the previous program which allowed faculty to match their GRA raises (i.e. the program created under the Non-GRA Supplement to Faculty Salary Guidelines) discontinued?
   The previous plan was not in compliance with current UM System and Federal policy, which prohibits increasing one’s base salary as a result of receiving an external grant. Specifically, UM System Accounting Policies and Procedures Policy APM-60.37 (https://uminfopoint.umsystem.edu/media/fa/controller/apm/apm_60.37.pdf) stipulates that one’s base salary “may not be increased solely as a result of the University having received an externally sponsored award” and that the base salary excludes incentive payments. More importantly, Federal policy (Uniform Guidance §200.430(h)(2): http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=187b674f453674d5001e6a2f4b514ae6&mc=true&n=pt2.1.200&r=PART&ty=HTML#se2.1.200_1430) states:

   “Charges for work performed on Federal awards by faculty members during the academic year are allowable at the Institutional Base Salary rate. Except as noted in paragraph (h)(1)(ii) of this section, in no event will charges to Federal awards, irrespective of the basis of computation, exceed the proportionate share of the IBS for that period.”

   The NIH policy (http://grants.nih.gov/grants/glossary.htm#InstitutionalBaseSalary) reflects this federal policy in their requirement that “Base salary may not be increased as a result of replacing organizational salary funds with NIH grant funds.” NSF policy (http://www.nsf.gov/pubs/policydocs/pappguide/nsf13001/aag_5.jsp#VB1a) similarly states that “NSF award funds may not be used to augment the total salary or salary rate of faculty members during the period covered by the term of faculty appointment.”

   An October, 2015 internal audit of the previous model concluded that “The financial and compliance risk is significant to the organization as the impact is high and the likelihood of additional oversight and follow-up from the federal government is high.” The internal audit team reviewed incentive programs used by 8 other universities (Virginia Tech, Boise State, U-Chicago, UT-El Paso, U-Iowa, Texas-Tech, U. Pittsburgh, Sul Ross State University) and did not find any other models that resembled S&Ts. As a result of this audit, in Dec. of 2015 Missouri S&T self-reported a compliance issue to the Federal Government and returned a little more than $1M in Federal funds paid to faculty as a result of the incentive program. These funds were largely the result of summer or academic year salaries paid over and above the faculty member’s institutional base salary (IBS). As stated by the Code of Federal Regulations (http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=9ce15bab454fb00adea3b2fa47cc9873&mc=true&r=SECTION&n=se45.1.75_1430) “charges of a faculty member’s salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.”

2. Will the incentive policy change in the future?
   Possibly. The program will be reviewed a minimum of every 5 years.

3. Can the incentive be paid as an administrative stipend?
   No as this would still be considered part of the Institutional Base. The policies of the University of Missouri and the Federal Government prevent a faculty member’s salary from being increased as a result of receiving an externally sponsored award (see question 1) – for example, by being paid a stipend above and beyond their institutional base salary for managing an award.

4. Can the incentive be counted toward retirement?
   Per UM System Accounting Policies and Procedures Policy APM-60.37 (https://uminfopoint.umsystem.edu/media/fa/controller/apm/apm_60.37.pdf), a faculty member’s institutional
base salary, which is used to define retirement pay, specifically excludes incentive payments. Retirement benefits policy further specifically excludes incentive payments (see page 9 of the UM System Retirement Program, https://uminfopoint.umsystem.edu/sites/hr/Benefits/RETIRE/CURRENT/SPD-RDD1-VRP.pdf).

5. **Will previous payment received under the previous plan be counted toward retirement?**
   Yes, since the previous plan (incorrectly) implied these payments were part of the institutional base salary. Any incentive payments going forward, however, will not count toward retirement (See question 4).

6. **Can the incentive be used to calculate summer salary in grants?**

7. **Will faculty earn less under the new incentive plan than the old plan?**
   The new incentive policy will give nearly all S&T faculty greater annual earning potential than was seen under the previous policy. While the new incentive plan cannot be counted toward retirement (see question 4), the greater potential earnings under the new plan could allow faculty to contribute more to individual retirement savings accounts on their own.

8. **Why can GRA funds only be used in conjunction with course release?**
   GRA funds are needed to ensure the instructional and administrative needs of the University are met and are not available for the incentive plan unless the faculty maintains the full course load. Without maintaining a full load the University would need those funds to hire additional faculty to cover the load.

9. **Can grants from NSF, NIH, DOD, or similar Federal agencies be used to pay for the incentive?**
   No. Charges to federal grants must reflect the cost of work performed to complete the grant. As stated by the Code of Federal Regulations (http://www.ecfr.gov/cgi-bin/retrieveECFR?gp=&SID=9ce15bab454fb00adea3b2fa47cc9873&mc=true&r=SECTION&n=se45.1.75_1430) “charges of a faculty member’s salary to a Federal award must not exceed the proportionate share of the IBS for the period during which the faculty member worked on the award.”

10. **Can active fixed-price accounts be used to pay for the incentive?**
    No. Only closed fixed price accounts may be applied to the incentive. Funds remaining in a fixed price account may be used once the account is closed.

11. **Can center-directors, department chairs, or associate deans participate?**
    Yes, so long as their official title is “faculty” they are eligible to participate. Employees with the title of “administrator”, like Deans and Provosts, are not eligible to participate.

12. **What was the process for forming the incentive plan?**
    The Provost appointed select research-active faculty from both the College of Arts Science and Business and the College of Engineering and Computing to form the Faculty Incentive Taskforce. The Taskforce proposed an initial incentive plan based on boundary conditions presented to them by UM and S&T administration and based on UM System and Federal policy. Working together, the Taskforce, the S&T Provost, S&T accounting office, and the UM System Comptroller and Auditor polished this plan to maximize its ability to incentivize faculty performance, as defined by the goals of the plan, while also complying with UM System and Federal policy. After obtaining input from faculty, the committee presented a
13. **Why are departments keeping the benefits on the course release?**
   Research accounts are charged benefits for academic year release time as a normal course of business. Allowing the benefits to stay with the department allows the entire department to benefit from the Incentive Program, in addition to the individual faculty member.

14. **What performance measures must be met to participate in the incentive plan?**
   Faculty must have the ability to cover a portion of their annual salary by the generation of grants, contracts, and similar new allowable sources, as identified above.

15. **Who generates the funds for the incentive?**
   Funds for the incentive are generated by the faculty member. These sources are identified when the faculty member submits the Faculty Incentive Request form.

16. **What constitutes faculty generated accounts?**
   To be eligible to participate, faculty must generate a portion of their summer salary from faculty generated accounts. Funds may be generated through external grants and contract, through indirect return, and other similar mechanisms. In general, gifts and endowment income are not considered to be faculty generated accounts and do not count toward eligibility. Payments for teaching summer courses are not considered faculty generated accounts.

17. **May endowments be used to pay an incentive?**
   Endowments or other charitable gift accounts may be used to fund incentive pay when they are specifically authorized by gift agreements or legal documents to allow for salary enhancement. University policy beyond the gift agreements or legal documents may further limit when or to what extent gifts and endowments may be used for salary enhancement. Use of gifts or endowments must be approved by the College Dean, the Provost, and the Vice Chancellor for Advancement.

18. **In which year is the incentive cap calculated?**
   The maximum amount of incentive pay allowed each year is 30% of one’s institutional base salary at the time of the request. For example, a request made on April 30, would by capped by 30% of the applicant's salary on that date.