

## **POLICIES**

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### **Policy Statement**

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Incentive Compensation is a form of non-guaranteed supplemental compensation for faculty members based upon research and scholarly productivity. In no case will Incentive Compensation be charged to a sponsored project.

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### **Purpose**

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To reward faculty for sustained research productivity and scholarly activities.

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### **Definitions**

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#### **Faculty**

Individuals eligible for Incentive Compensation hold faculty rank and are paid from EDUGEN positions using Banner E-class FA or F9. For purposes of this policy, positions funded by centers and chairs of excellence are considered EDUGEN positions.

All faculty (including, tenured, tenure-track, non-tenure track/clinical/research /instructors), whose salaries are base budgeted in the university qualify for the incentive payment.

**Incentive Compensation** A form of non-guaranteed supplemental compensation based on 50% of Salary Recovery.

#### **Salary Recovery**

The unobligated amount of university salary budget attributable to externally funded effort.

## **Facilities and Administration Cost (F&A) Rate**

A composite rate applied to sponsored agreements as a percentage of the sponsored agreement's direct costs. The federally negotiated indirect cost rates for instruction, organized research, and other sponsored activities are developed by the University in accordance with the Office of Management and Budget and the Federal Acquisition Regulation, and negotiated with the Department of Health and Human Services, Division of Cost Allocation, the University's federal cognizant audit agency.

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## **Procedures**

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### **Overview**

Incentive Compensation will be paid within two monthly pay periods following effort certification for each of the semester and on or before the June 30th fiscal year end.

Faculty seeking Incentive Compensation must:

1. Receive approval by his/her chair and dean to receive 50% of salary recovery;
2. Obtain external funding for his/her base salary;
3. Verify work performed by completing the effort certification, and complying with UM1676 Certification of Effort;
4. Initiate payment by completing the incentive payment request form;
5. Meet or exceed all other expectations related to his/her faculty rank.

## **Incentive Compensation Agreement**

The purpose of the Incentive Compensation Agreement is to create an understanding between faculty and chairs regarding a faculty member's involvement on sponsored programs, including the disposition of salary recovery from sponsors.

Historically, many departments have depended on 50% portion of the salary recovery to operate departments.

Therefore, chairs are not required to pay more than 50% incentive compensation. Rather, chairs are expected to balance the needs of the department with the need to reward faculty for sustained research productivity. The Incentive Compensation Agreement shall be reviewed and approved by the deans. Considerations:

1. Before incentive compensation can be paid, salary

recovery must be allocated to reimburse the department for faculty replacement costs.

2. The comment section should be used to document the course load and other assigned duties.

### **Proposal/Award**

Incentive compensation encourages faculty to request sponsor funding for the total cost of the project rather than volunteering to cost share effort. To be eligible for incentive pay, the external sponsor must provide funding for faculty base salary and benefits and allowable F&A rate. ..

### **Effort Certification**

Faculty must complete an effort certification to document work on the sponsored project. Failure to complete a timely effort certification and comply with UM 1676 Certification of Effort nullifies the incentive compensation agreement.

### **Payment Request**

The completed Incentive Compensation Agreement & Payment Request form should be submitted to the payroll office with a copy of the certified effort report for that period.

### **Nullifying Conditions**

If any of the following conditions occur, the incentive compensation agreement becomes null and void. If incentive compensation has already been paid when the nullifying condition occurs, faculty may return the excess payments through payroll deduction.

1. Untimely effort certification.
2. Retroactive significant changes to funded effort.
3. Sponsored project over expenditure.
4. Cost share requirements not met.

### **Limitations**

#### **Earnings Limitations**

Incentive Compensation may not exceed 50% of the Salary Recovery allocable to the period covered by the effort certification.

#### **Retirement Credit**

The University of Memphis must control the reporting of supplemental compensation earnings to retirement systems. For retirement reporting purposes, TCA § 8-34-101(14)(D) limits credit for supplemental compensation to no more than 25% of base pay. Faculty and staff may earn more than 25% in any reporting period, but the payroll system will report no more than 25% to the Tennessee Consolidated Retirement System (TCRS) or Optional Retirement Plan (ORP), as applicable.

## **Roles and Responsibilities**

### **Principal Investigator/Program Director**

- Comply with UM1676 Certification of Effort and UM1723 Sponsored Agreement Cost Sharing.
- Complete sponsored agreements within budget.

### **Department Chairs/Directors**

- Ensure that faculty are meeting or exceeding all requirements related to his/her academic, research, and administrative responsibilities;
- Negotiate with faculty an equitable percentage of Salary Recovery to reward sustained research and scholarly productivity.

### **Deans**

- Review and approve the incentive compensation agreement.

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## **Related Forms**

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**Incentive  
Compensation  
Agreement &  
Payment Request**

[http://www.memphis.edu/provost/research\\_incentive\\_compensation.php](http://www.memphis.edu/provost/research_incentive_compensation.php)

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**FAQs**

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**May Faculty receive both  
incentive compensation and  
extra compensation?**

Yes, but not for the same work.

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**Links**

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**UofM Effort Certification  
Policy**

<https://memphis.policytech.com/dotNet/documents/?docid=308>

**Faculty Incentive Pay  
Plan**

[http://www.memphis.edu/provost/research\\_incentive\\_compensation.php](http://www.memphis.edu/provost/research_incentive_compensation.php)

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**Revision Dates**

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UM1725 -- revised February 14, 2017  
UM1725 -- issued February 29, 2012  
RE7006 supersedes UM1725

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**Subject Areas:**

Academic	Finance	General	Human Resources	Information Technology	Research	Student Affairs
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