I. PURPOSE
To establish principles and guidelines for setting compensation for the Perelman School of Medicine faculty. Setting and documenting faculty compensation appropriately is critical for recruitment and retention of faculty as well as for financial and legal reasons.

II. POLICY

The Dean of the Perelman School of Medicine is responsible for establishing guidelines for the setting of faculty salaries for faculty with primary appointments within the School. The Dean authorizes Department Chairs to make specific decisions related to faculty compensation for their home departments within those established guidelines and in accordance with The Handbook for Faculty and Academic Administrators section b1.G.4. - Responsibilities of Department Chairs.

The setting of each faculty member’s compensation must be guided by a set of principles that is appropriate to that faculty member’s responsibilities with the missions of education, research, and patient care of Penn Medicine. The overarching compensation principles should be applicable to all faculty members and allow for departmental discretion that acknowledges the differences among different medical and scientific disciplines.

Applicability: Perelman School of Medicine full-time faculty (in the tenure, clinician-educator, academic clinician, and research tracks) and academic clinician part-time track Does not apply to other associated faculty or health system clinicians, academic support staff, postdoctoral fellows, students, or staff.

Components of Salary:
Standing Faculty (Tenure and Clinician Educator tracks):
Each faculty member’s total base salary will be comprised of at least two components:
Academic Base and Non-Guaranteed Salary (Base Salary Supplement).

The Academic Base will be set as the minimum salary for the rank, as defined annually by the Perelman School of Medicine and University. All other base salary is designated as non-guaranteed salary (a.k.a. Base Salary Supplement), except for any component separately designated non-guaranteed such as an administrative stipend or CPUP supplement. (Note that this definition is for the purpose of this policy only and has no application outside this document. Nothing stated herein is intended to alter, supplement, or inform the interpretation
of any benefit policy or plan. This policy does not affect the calculation of Institutional Base Salary for the purposes of grant awards or effort reporting.)

Once a faculty member’s Academic Base is established according to these guidelines, all future increases to that faculty member’s salary (except adjustments to the minimum Academic Base for the rank) will be added to the Non-Guaranteed Salary (Base Salary Supplement) component. All faculty salary changes must be approved by the Dean or Dean-designate.

The non-guaranteed or Base Salary Supplement may be adjusted (upward or downwards) annually (July 1) based on the departmental compensation plan.

Non-Standing Full-time (Academic Clinician, Academic Clinician Part-time and Research) Faculty: Faculty members in the research and academic-clinician tracks do not have an Academic Base and are not covered by section II.E.11 of the Faculty Handbook. As such, their salaries may change from year to year, unless otherwise fixed by contract. The total base salaries of faculty in these tracks are designated as non-guaranteed salary and may be composed of a base salary called “Faculty Salary” and a Base Salary Supplement. The Faculty Salary component is typically the minimum for the appropriate rank. All components of salary may be adjusted upward and downward, but the total salary may not be less than the relevant minimum for the rank, with the exception of the Academic Clinician – Part-time.

Other potential components of faculty compensation:

Administrative Stipends – to recognize administrative responsibilities beyond the faculty’s expected role (see policy FAC-FacComp-002 for further explanation and policies).

Incentives - Paid for attainment of productivity goals as part of a departmental compensation plan (see section on departmental compensation plans below). Payments are made in accordance with the plan, but are generally monthly, quarterly, semi-annual, or annual.

Bonuses - Generally one time payments in recognition of special accomplishments outside of the department’s compensation plan. Bonuses may be given for hiring or retention, but must be approved by the Dean.

Departmental Compensation Plans:

Each academic department should develop a compensation plan for its faculty. Although it is recognized that each department is unique and will have somewhat differing operational and financial goals, they will each take the following principles into consideration when developing their faculty compensation plan:

SUPERSEDES: Policy Concerning Salary for Faculty (1994)  
ISSUED BY: Jerry Janner 6/10/13  
Dean, Perelman School of Medicine Date
A. Measurable baseline expectations should be established for the majority of the aspects of each faculty member's responsibilities—teaching, research, clinical, administration, and other distinguishing contributions.

B. The plan should address the circumstances under which a faculty member's salary may be increased or decreased. Productivity measurements must provide for increases and decreases in the total salary based on performance and other relevant factors. Work, its acknowledgement and its reward should be linked temporally. Performance measures should be objective and quantitative, monitored on a no less than a yearly basis, and promptly communicated to the faculty in writing, before the beginning of the new fiscal year (July 1).

C. A faculty member's salary support must be commensurate with his/her effort.

D. The plan must reward activity that supports the research, teaching, administrative, service, and if applicable, clinical goals of the department and the Perelman School of Medicine.

E. The overall plan must operate within the confines of the Perelman School of Medicine budget and each department's plan should operate within the department's budget.

F. The plan must be both externally and internally equitable. The plan must be applied consistently within the department (or division if it has a separate compensation plan), although faculty on different tracks within the department may have different criteria and goals.

G. If an incentive is included in the Department's compensation plan, the incentive plan must reward individual performance and, where appropriate, overall group performance.

Each department's faculty compensation plan is expected to:

A. Operate within the policies and fiscal bounds defined by the University and Perelman School of Medicine.
B. Be managed by the department.
C. Make every effort to provide market competitive compensation within academic discipline and attain and maintain internal equity within the department with variations according to documented performance;
D. Utilize a common database and management system that is accessible to the individual departments.

SUPERSDES: Policy Concerning Salary for Faculty (1994)

ISSUED BY: 

Dean, Perelman School of Medicine  Date
Each Department's faculty compensation plan should be reviewed with the appropriate peer department chairs and must be approved by the PSOM Dean and CPUP Compensation Committee (if applicable). The Department plan and goals should be consistent with peer departments within the School to ensure equitable application of the School's stated compensation principles.

Setting and Changing Salaries

For new hires, the initial salary setting takes place as part of the recruitment process and the hiring salary is approved at that time, with consideration of fiscal, and internal and external equity concerns. As stated previously, for new hires on the tenure and clinician-educator tracks, the Academic Base will be the minimum for the rank as of the date of employment.

Each department must develop a compensation plan that addresses the circumstances under which a faculty member's salary may be increased or decreased, and it is the responsibility of the department chair to communicate and apply the rules enumerated in the department's compensation plan in a fair and consistent manner. The Department’s Compensation Plan should describe how salary increases relate to faculty performance and accomplishments, with criteria including grant support, scientific productivity, teaching activities, and service to the Penn community. The Department Chair and/or Division Chief will meet with each faculty member at least once each year to review past accomplishments, future plans, and performance over the past year. The review and performance evaluation will be documented. Based on this evaluation, the Chair proposes whether a salary increase is merited, and if so to what extent within the guidelines provided by the PSOM each year.

For all faculty covered by this policy: Neither the Base or Supplemental salary may be changed during the fiscal year specifically upon the loss or award of a grant although the loss or award of grants in general may be factors in the annual setting of an individual's salary.

Salary Increases

Faculty may receive a merit-based salary increase in accordance with the annual guidelines provided by the PSOM each year. Proposed salary increases that exceed the range guidelines as defined by the Provost's Office any given year must be accompanied by written justification and approved by the Dean and the Provost.

It is generally accepted practice that an increase is granted upon promotion to the next rank, although the percentage increase may vary due to internal or external salary equity concerns. Salary changes are best reviewed as part of the annual process. In exceptional circumstances, departments may also request ad-hoc salary increases for individuals or salary equity reviews.
for the department mid-year. These requests must be approved by the Dean before implementation.

**Salary Decreases**

If a Standing faculty member demonstrates a consistent pattern of failing to meet departmental expectations, the Department Chair may recommend a decrease in salary of no more than 20% of total base salary in any single fiscal year, applied to the faculty member’s base salary supplement. A salary reduction should only be considered for faculty who consistently fail to meet departmental expectations, and should be consistent with past performance evaluations.

If the Chair determines that a faculty member’s salary should be reduced, this recommendation must be reviewed by the Dean, and be communicated to the faculty member in writing. The faculty member may appeal the decision to the Dean.

Additional annual reductions up to the 20% of total base salary may also be made at the beginning of each subsequent fiscal year, until the total base salary is reduced to the Academic Base salary. If the faculty member achieves an adequate level of productivity, these reductions may be reversed.

**III. PROCEDURES**

The initial salary setting takes place as part of the recruitment process and the hiring salary is approved at that time. Subsequent changes in salary take place as either 1) part of the annual salary increase program as announced by the University and School annually; or 2) as part of a departmental equity analysis or 3) on an ad hoc basis. All faculty salary changes must be approved by the Dean.

All Faculty members should receive a letter from his or her chair annually that outlines his/her salary components for the next fiscal year. Each faculty member should also be given a copy of his/her department’s faculty compensation and incentive plans, if applicable.

To track faculty compensation accurately and consistently, a compensation database is necessary. The university-wide salary system, PennWorks, satisfies this requirement. It is the responsibility of the home department chair and their designated business administrators to maintain the database for faculty in their home departments. To ensure the continued accuracy of the database, Chairs or Chair designates must notify the Dean’s Office (through the Vice Dean for Administration and Finance) of any changes to individual faculty appointments that affect the faculty member’s compensation plan throughout the year.

**IV. WHO SHOULD KNOW THIS POLICY?**
- Department Chairs and Directors of Centers and Institutes

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• Department, Center, and Institute Business Administrators
• Perelman School of Medicine Faculty
• Dean's Staff
• Health System Administrators

V. CONTACTS

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