Policy on Offering Sign-On and Retention Bonus Payments to Faculty

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Applies to:
All School of Medicine faculty and faculty hiring officials.

Reason for Policy:
This policy was developed to clarify the approval required to offer a sign –on or retention bonus (formerly known as a guaranteed incentive) and what conditions must exist for payment of an incentive sign-on or retention bonus. A sign-on or retention bonus may not be used to reimburse a faculty member for any type of expense.

This policy was amended to ensure compliance with Internal Revenue Code § 409(a), which requires employers to report and withhold on nonqualified deferred compensation.

Definition of Terms:
Deferred compensation – A plan or arrangement that provides for the deferral of compensation, if under its terms the employee has a “legally binding right” to compensation during the year prior, but compensation is not payable until a later year.

Policy Statement:
A sign-on or retention bonus may be offered for a maximum period of three years. Sign-on bonuses can be paid to new faculty and faculty taking on new administrative appointments.

All sign-on or retention bonus payments shall be made no later than two and one-half months following either the faculty member's or the School of Medicine's taxable year during which the payments vest. This includes guaranteed incentive payments which are paid in subsequent tax years, as long as the payment will vest upon continued employment through that taxable year.

If a faculty member receives a retention or sign-on bonus, he or she is expected to remain in the paid appointment for which they received the bonus for two years past the last bonus payment. If, for any reason, he or she leaves the paying department before completing two full years of employment, the faculty member shall be required repay the full amount of the bonus.

Procedures:
The dean's approval is required prior to making any compensation commitment, including a sign-on or retention bonus offer payment to a prospective or current faculty member. Bonuses above $10,000 require approval of the provost.

If a sign-on bonus is to be offered, it shall be included in the faculty member's offer or administrative appointment letter. The letter shall be submitted to SOM Human Resources, which is responsible for obtaining approval from the dean and, if appropriate, the provost.

If a retention bonus is to be offered, it shall be included in a signed letter from the department head to the faculty member being retained. The retention letter shall state the amount of the bonus, the reason for the bonus, and the date it will be paid. The retention letter shall be submitted to SOM Human Resources, which is responsible for obtaining approval from the dean and, if appropriate, the provost.

Related Policy:
Basic Science Incentive Plan
http://www.healthsystem.virginia.edu/internet/about/sompolicies/BSIP.pdf

Clinical Faculty Remuneration Plan
http://www.healthsystem.virginia.edu/internet/about/sompolicies/Clinical-Faculty-Remuneration-Policy---May-2007-REV-.pdf

Quarterly Payment of Clinical Faculty Incentives
http://www.healthsystem.virginia.edu/internet/about/sompolicies/Quarterly-payment-of-clinical-faculty-incentives-REV-Jan-2006-.pdf

Next Scheduled Review: January 2015

Revision history: Implemented February 7, 2005; revised 10/27/07; 3/12/12

Approved:

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Vice President and Dean

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Date