Corporate Policies and Procedures
Human Resources

COMPENSATION PHILOSOPHY

Category: Compensation (CM)
Policy #: HR.CM.100
Applies to: All Faculty, Exempt and Non-Exempt Staff

PURPOSE:

The overall purpose of MCW’s compensation program is to enable the organization to attract, motivate, reward, recognize and retain highly talented employees with the skill sets required to fulfill its mission and vision.

DEFINITIONS:

Not Applicable

POLICY:

Overall Compensation Philosophy
The Medical College of Wisconsin (MCW) recognizes that its ability to fulfill its four-fold mission depends on the caliber of talent in its workforce, which is made up of executives, faculty and staff. The overall purpose of MCW’s compensation program is to enable the organization to attract, motivate, reward, recognize and retain highly talented employees with the skill sets required to fulfill its mission and vision. In order to attract and retain a talented workforce, MCW must be competitive within, and be responsive to, the various local, regional, national and industry specific markets in which it competes for talent. In setting compensation levels, MCW pays particular attention to relevant comparative compensation data from peer organizations of comparable complexity and reputation.

Through the oversight of the Compensation Committee of the Board of Trustees (the Committee), MCW’s compensation programs will be competitively positioned in the marketplace of relevant organizations and fall within the fair market value (FMV) guidelines. MCW recognizes its responsibility to ensure that its compensation programs are appropriate in view of its mission, vision, and tax exempt status; and that its total compensation levels and expenditures are reasonable and not excessive. MCW intends to ensure that its compensation
program is compliant with all applicable legal and regulatory requirements. MCW will review this philosophy at least annually.

MCW’s Mission and Vision
To be a national leader in the education and development of the next generation of physicians and scientists; to discover and translate new knowledge in the biomedical sciences; to provide cutting-edge, interdisciplinary and compassionate clinical care of the highest quality; to improve the health of the communities we serve.

Our vision is to be a distinguished health sciences university that will be a leading innovator in transforming health care and advancing the health of our citizens.

Talent Market
The marketplace for talent is defined as the industries and organizations with whom MCW competes for talent and from whom it is most likely to recruit when filling vacant positions. The relevant marketplace is expected to be local, regional and/or national in scope and includes the healthcare, academic and research industries, and will vary from position to position. The Office of Human Resources validates the appropriate marketplace against which each position is measured.

Total Compensation Strategy
The MCW total compensation strategy is based on the compensation philosophy stated above. The purpose of this section is to describe in greater detail how the organization intends to design and maintain its total compensation program. If the program is to be as effective as possible, MCW must:

- Make decisions related to the design and administration of its total compensation program from both a short- and long-term perspective.
- Consider all components of its compensation program (base salary, employee benefits, etc.) and communicate the value of the components to employees.
- Strive for equity in total compensation administration.
- Balance the need to be flexible with the need to keep the compensation program (and its various components) as simple as possible to understand and use.

A. Cash Compensation

1. Base Salary
To ensure MCW attracts and retains high quality leadership, faculty and employees, the organization targets its departmental aggregate base salaries at the 50th percentile of base salaries paid for comparable positions in the marketplace. The competitiveness of base salaries is reviewed at least annually and adjustments (increase or decrease) may be made when market conditions warrant. Actual individual base pay levels and the size of employee’s adjustments are based on experience,
current and historical performance/contribution, and the market competitiveness of his or her salary. Clinical intensive faculty base salary is a component of the total cash compensation and is targeted based on their respective compensation plan.

2. Variable Compensation
   a. Budgeted Incentive Compensation is defined as planned variable compensation paid quarterly, semi-annually or annually based upon funds available for distribution. Amounts are allocated to individuals based on quantifiable metrics approved in advance.
   b. Bonus is defined as unplanned distribution used to reward exceptional performance or other approved purposes. Approval requirements for bonus distribution may change at any time based on departmental and/or institutional economic conditions.

3. Total Cash Compensation
   The combination of base salary, any applicable administrative stipend, variable compensation and some cash based taxable benefits (i.e. moving expenses, etc.) constitute total cash compensation. Total cash compensation should not exceed the 75th percentile of FMV without appropriate business justifications.

B. Benefits
   The organization provides a variety of benefit programs for its employees.

1. All-Employee Benefits
   These programs are designed to help all MCW employees attain a degree of economic security and allow them to devote their attention and best efforts to the achievement of the organization's mission and vision. MCW's all-employee (i.e., qualified) benefits fall into three categories: income protection programs, pay for time not worked and other benefits. The adequacy, competitiveness, and cost of all MCW benefit programs are reviewed on an ongoing basis and changes are made periodically. MCW's goal is to provide standard all-employee benefits approximating the "middle" of the marketplace in which the organization competes for talent.

   1) Income Protection Programs
      These programs are designed to protect the standard of living of MCW employees and/or their dependents. MCW-provided income protection programs include, but are not limited to: health and dental insurance, life insurance, disability insurance, workers' compensation, and retirement programs.
2) Pay For Time Not Worked
When employees are not at work MCW provides benefits such as vacation, sick, holiday, jury duty pay, and bereavement pay.

3) Other Benefits
The third component of employee benefits is comprised of employer expenditures for employee services. MCW benefits that fall into this category include dependent care, employee assistance program, seminars and workshops, and service awards.

2. Departmental Benefits
These benefits are designed to reimburse for certain profession-related expenses, approved travel reimbursement, select communication devices and other reimbursements intended to benefit the employer. Also included in this category are taxable expense accounts and various perquisites.

PROCEDURE:

EXECUTIVE COMPENSATION

Role of Compensation Committee of the Board of Trustees
The composition of the Compensation Committee of the Board of Trustees is set forth in the MCW Corporate Bylaws, as is the Committee charge. In general, the Committee reviews and approves all transactions (including MCW-provided compensation, benefits and perquisites) between MCW and the MCW President/CEO, as well as any Trustee or elected Officer who may be found to be a "disqualified person."

Program Elements
MCW’s executive compensation program is comprised of multiple components that address and balance the varying needs of its executives and the organization.

A. Cash Compensation
MCW’s cash compensation program consists of:
   a. Base Salary
      The organization targets aggregate executive base salaries at the 50th percentile of base salaries paid for comparable positions in the marketplace. Actual individual base salaries reflect individual experience and performance with base salaries in a range between the 25th and 75th percentiles.
   b. Variable Compensation
      Selected executives may be eligible for incentive compensation based on quantifiable metrics approved in advance.
   c. Total Cash Compensation
Total cash compensation is targeted at the 50th percentile of FMV. Total cash compensation should not exceed the 75th percentile of FMV without appropriate business justifications.

B. Executive Benefits and Perquisites
Executive benefits and perquisites are provided to key MCW executives. MCW’s goal is to provide executive benefits and perquisites that are typical for these positions and which approximate the median of the marketplace.

These benefits may include but are not limited to participation in a deferred compensation plan and club memberships. Selected benefits are provided when necessary to help executives fulfill their corporate responsibilities.

Program Compliance
To ensure MCW complies with Intermediate Sanctions guidelines on reasonable compensation, the organization monitors total cash compensation, obtains a reasonableness assessment from a qualified third party, and reports to the Compensation Committee of the Board of Trustees at least annually.

FACULTY COMPENSATION

Faculty are defined as paid employees holding an appointment with assigned rank of instructor, assistant professor, associate professor or professor in a MCW academic department or institute. To varying degrees, each faculty member participates in one or more of the MCW missions: clinical care, research, education and community engagement.

Each department and institute which sets compensation may establish a Compensation Plan designed to address the needs of individual specialties. This policy has established principles that are applicable to all compensation plans. Compensation plans must be fundamentally equitable, understandable, transparent, and based at least in major part on objective criteria, including internal and external market benchmarks. Individual faculty compensation recommendations and decisions should be made in alignment with the strategic goals of the institution and department, and should include consideration of factors such as academic performance, research productivity, clinical productivity and performance, and additional responsibilities. Compensation plans may include distinctions between divisions, specialties, and practice plans.

Compensation plans must adhere to FMV parameters. MCW may review any compensation plan for compliance with this policy.

Cash Compensation
a. Base Salaries
The organization targets department aggregate base salaries at the 50th percentile. Actual individual base salaries reflect individual experience,
performance, and productivity and is evaluated as part of total cash compensation. Departmental assignment and management of base salaries should represent an unskewed normalized distribution where individual base salaries fall within a range between the 25th and 75th percentiles. The base salaries of clinical intensive faculty are defined in the departmental compensation plan and should reflect alignment with expected productivity and quality measures.

b. Administrative Stipends
For each faculty member holding an administrative role, including Medical and Administrative Directorships, Residency Directorships, Section and Division Chief roles, and Chair positions, must have either a percentage of base pay or a fixed amount identified as stipend compensation for the role. When a faculty member no longer holds the administrative role, salary will be reduced by at least the identified amount.

c. Variable Compensation
Variable compensation, as defined in section IV of the philosophy, is considered "at risk" compensation and is dependent upon institutional, department and individual performance.

d. Total Cash Compensation
The combination of base salary, variable compensation (as defined in section IV.A.2 of the Compensation Philosophy) and some cash based taxable benefits (i.e. moving expenses, etc.) constitute total cash compensation. Total cash compensation should not exceed the 75th percentile of FMV without appropriate business justifications. Consistent with FMV practice, clinical faculty are expected to have a portion of FMV total compensation at risk for quality, productivity, professionalism, etc. The total cash compensation percentile level should demonstrate alignment with benchmark productivity percentile levels achieved, quality measures, and be in alignment with other institutional guidelines including but not limited to the annual budget guidelines.

Faculty Benefits and Perquisites
Faculty benefits and perquisites are provided to all faculty with at least a full professional effort designation. MCW's goal is to provide faculty benefits and perquisites that are competitive in the academic market and approximate the median of the marketplace.

Department specific perquisites may be offered to align with market specialty competition.

Faculty Total Compensation
Total compensation should be targeted to fall within FMV guidelines; in general total compensation should not exceed the 75th percentile without business justification.
STAFF COMPENSATION

Staff are defined as MCW exempt and non-exempt employees not covered in the Executive or Faculty Compensation Sections.

Staff Compensation Oversight
Through the oversight of the Senior Vice President and Chief Operating Officer, MCW’s staff compensation program will be competitively positioned in the marketplace of relevant organizations. Competitive data is gathered and reviewed annually. Salary ranges and individual compensation is adjusted as needed based on these reviews. Reference Policy CM.10.10 for a full description of staff compensation program elements.

Staff Compensation Strategy
The compensation strategy for departmental staff is targeted to meet the market median in the aggregate for comparable positions in comparable markets. Actual individual base salaries reflect individual experience and performance with base salaries in a grade range as referenced in Policy CM.10.10. MCW may provide variable compensation, as defined in section IV of the policy, for select leaders and providers.

REFERENCES:
Not Applicable

ATTACHMENTS:
Not Applicable

Effective Date: 3/1/2014
Revision History: N/A
Supersedes Policy: N/A
Review Date: N/A
Approved By: John R. Raymond, Sr., MD, President and CEO

Medical College of Wisconsin