



UMBI Policy on Annualization of Salaries

(Approved by the President on 12/11/2008)

I. PURPOSE

- A. The purpose of this document is to establish a policy to cover the payment of salaries to faculty on various appointment types.

II. BACKGROUND

- A. Recent changes in federal tax laws and regulations have affected the tax treatment of annualized compensation for less-than-12-month employees. If the employer permits annualization of salary, the employer must develop a written policy containing all the material terms and conditions of its policy on annualization of salary.

III. DEFINITIONS

- A. Academic Year Appointment - formerly called a 9.5-month appointment.
- B. Fiscal Year Appointment - formerly called a 12-month appointment.

IV. POLICY

- A. All new faculty appointments shall be fiscal year appointments. Employees are paid entirely as compensation is earned.
- B. Current faculty on fiscal year appointments shall not be eligible to change to academic year appointments at any time.
- C. Current faculty members on academic year appointments as of the approval date of this policy may remain in that status until revoked in writing by the faculty member. New faculty agreements covering their current status will be issued by UMBI. Each faculty member on an academic year appointment will be asked to sign a confirmation of his academic year appointment and to elect either a 22- or a 26-pay period compensation schedule.
- D. Any election to be paid on a fiscal year basis must be made in writing utilizing the form available from UMBI Human Resources. The election must be made on or before July 1, and the change shall be effective at the beginning of the academic year (pay period 04).
- E. Any election to change to a fiscal year appointment must be made in writing utilizing the form available from UMBI Human Resources. The election must be made on or before June 1, and the change shall be effective on July 1, the beginning of a new fiscal year.
- F. A faculty member who holds an academic year appointment and chooses to be paid over the academic year will be paid his or her salary in equal bi-weekly installments over the academic year (22 pay periods, from pay period 4 through pay period 25).
- G. A faculty member who holds an academic year appointment and is paid over 12 months will be paid his or her salary in equal bi-weekly installments over the 12-month fiscal year (26 pay periods). If the faculty member separates from service prior to receiving all of his or her salary, the faculty member will be paid all earned but unpaid salary in a single lump sum in a

UMBI Policies and Procedures

paycheck for a pay period ending within 30 days following separation from service. "Separation from service" has the same meaning as provided in Section 409A of the internal Revenue Code, and includes any voluntary or involuntary termination from service, including (but not limited to) retirement or death.

- H. An election relating to an academic year employee's pay status shall continue in full force and effect, from year to year, until the earliest to occur of:
1. Separation from Service, as used in paragraph G of this policy;
 2. an employee's change from an academic year appointment to a fiscal year appointment;
 3. an employee's filing of a new Election of Schedule of Salary Payments for Academic Year Faculty, which election shall supersede any earlier Election, effective on the July 1 subsequent to the new Election; or
 4. change in UMBI policy concerning academic year faculty which affects salary payment options.