

Contact: Kristin Bauer Davis

UNIVERSITY OF IOWA PHARMACEUTICALS INCENTIVE PROGRAM

Action Requested: Approve the University of Iowa Pharmaceuticals Incentive Program as detailed in this memorandum and Attachment A.

Executive Summary: The University of Iowa's College of Pharmacy has an operating Contract Development and Manufacturing Organization (CDMO), which provides contract services to customers. University of Iowa Pharmaceuticals (UIP) is a self-sustaining enterprise within the College of Pharmacy at the University of Iowa. UIP's main business is pharmaceutical services as a CDMO. UIP is continuing a multi-year growth strategy to position itself as a key source of revenue for the College of Pharmacy and the University of Iowa. An essential component in building a high-performance organization is to have the capability to recruit talent with specialized skills and retain high quality employees. UIP must be competitive for talent with other commercial labs who offer larger compensation packages.

As part of the multi-year growth strategy, UIP implemented a pilot of the incentive program in 2021. With the pilot expected to sunset June 30, 2024, the University of Iowa is requesting to transition the incentive program from its current pilot status to a permanent program. The incentive plan is designed to be competitive from a total compensation perspective with those employees in the broader industry that provide comparable products and services. The intent of the incentive plan is to provide a percentage of the base compensation paid to designated staff who have considerable influence on the financial and operational success of UIP with a fiscal year performance period (July 1 through June 30).

A detailed description of the requested program can be found in Attachment A.

University of Iowa Pharmaceuticals Incentive Program

Eligibility: UIP staff in P&S pay levels 5 and above except for shared service staff (HR, Finance, Communications). Staff must successfully meet individual performance expectations for the fiscal year, and the percentage of payment is related to the performance evaluation.

- Incentive plan covenants:
 - Retirement – Prorated payment for time in position when performance is determined.
 - Voluntary Termination – Forfeiture of payment.
 - Involuntary Termination – Prorated payment for time in position when performance is determined.
 - For-Cause Termination – Forfeiture of payment.
 - Death – Prorated payment for time in position when performance is determined to estate of executive.
 - Disability – Prorated payment for time available to work in position when performance is determined.
 - Plan Discontinuance – The Board of Regents reserves the right to discontinue the plan at any time; payment of the “in-play” period will be provided when performance is determined.

Structure and Payout:

- A participant’s maximum incentive payout opportunity is defined by UIP performance weighting metrics. Details are included in the department performance goals and in Appendix A.
- Eligible positions are structured into tiers based on pay level.
- The estimated budgetary impact for the payments is approximately 1% of total revenue based on target payments, subject to annual calculations.

Departmental Performance Goals:

- Departmental performance goals (including threshold, target, outstanding) and weighting will be agreed upon by the Managing Director of UI Pharmaceuticals, the Financial Officer and the Dean of the College of Pharmacy, and the Chief Financial Officer for the University as documented in the UIP fiscal year budget.
- Organizational leadership shall identify a realistic number of institutional performance goals for each performance period.
- Departmental goals will include detailed targets focusing on current business, new business, and overall growth of UIP. The specific drivers of the incentive payments include revenue growth, EBITDA, and selected target growth initiatives. The goals and drivers align with the College of Pharmacy strategic plan. The trigger for any incentive payments will be meeting the approved revenue threshold.
- Departmental performance goals are established and approved annually within 90 days of the beginning of the fiscal year.

Incentive Payments:

- Incentive payments require meeting the threshold for revenue goals. If that threshold is not met, no payments will be made for that fiscal year.

- Incentive awards will be provided annually in one lump sum payment on or around September 1, following approval by University Human Resources leadership and the University Chief Financial Officer.
- Incentive awards will be calculated for each participant based on the level of organizational performance, considering the weightings for each goal, as determined by the College of Pharmacy and university leadership.
- Calculation of the prorated incentive payout will be based on the length of time a participant was eligible to receive an incentive award during the performance period. The proration will be from the first of the month when the Participant began the incentive eligible position (e.g., if a participant began work in September, his or her incentive payout will be equal to 10 months).

Appendix A – Performance Metrics and Calculations

Incentive Payment Components

- Total Business (85%)
 - Revenue Growth = 50%
 - Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) = 35%
- Selected Growth Target Initiatives (15%)

Departmental Performance Level Multipliers

- Below Threshold = 0% of target payout
- Threshold = 75% of target payout
- Target = 100% of target payout
- Outstanding (maximum) = 125% of target payout

Target Incentives by Pay Level

- Pay Level 5 = 10%
- Pay Level 6 & Above = 16%