

SALARY ADJUSTMENT INSTRUCTIONS EPA FACULTY & EPA NON-FACULTY FISCAL YEAR 2012-2013

I. 2012-2013 Appropriation for Salary Adjustments.

The 2012 modifications to the Current Operations and Capital Improvements Appropriations Act of 2011 (the Act) authorizes and funds salary increases of 1.2% for University employees for the 2012-2013 fiscal year, subject to the requirements set forth in the Act. The Act provides up to \$22,221,350 to support salary increases for Employees Exempt from the Personnel Act (EPA employees) and up to \$8,649,234 for SPA employees. The General Assembly also provided \$3,000,000 for the University Faculty Recruiting and Retention Fund. Salary adjustments for SPA employees may be made only in accordance with instructions provided by the State Budget Director and the Director of the Office of State Personnel and are not otherwise addressed in these instructions.

Salary adjustments for EPA employees must be made in accordance with University policy and the instructions set forth herein, as approved by the Board of Governors on August 10, 2012. Subject to these instructions, the Chancellors may use the funds appropriated by the General Assembly for salary increases to provide merit pay increases, across-the-board increases, recruitment bonuses, and retention increases, as well as to offset the management flexibility reduction or to employ personnel. Chancellors may also utilize institutional funds other than funds appropriated by the General Assembly for salary adjustments based on performance and merit, to respond to market conditions, and to address salary inequities including those that may have arisen during a period of scarce resources for academic salaries. In addition, Chancellors may use funds derived from campus-initiated tuition increases (CITI) for salary adjustments that are consistent with the Board of Governors' mandate regarding the use of these funds.

II. Instructions for Salary Adjustments

All funds used for salary adjustments, regardless of source, are subject to the limitations and conditions set out herein including, but not limited to, funds appropriated by the General Assembly under the Act for salary adjustments, funds available from vacant lines, endowment funds, CITI, and grant funds.

A. General

1. **Management Flexibility:** The Board authorizes the Chancellors to use funds appropriated by the General Assembly under the Act for salary adjustments to offset the management flexibility reduction or to employ personnel.
2. **Faculty Salary Ranges:** Salaries paid to faculty members shall be within the ranges established for the particular institution by the Board of Trustees or the President based on peer data in accordance with University policy. (See, UNC Policy Manual Sections 600.3.4 and 200.6).
3. **Senior Academic and Administrative Officers (SAAO):** SAAO salaries must be set within ranges established by the Board of Governors on June 15, 2012 and communicated to Chief Academic Officers and the members of the Human Resources Council on June 19, 2012. Salary ranges for deans should be set by each campus based on discipline, national

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peer data, and CUPA data for the peer institutions, as approved by the Board of Governors in October 2011. Requests for exceptions must be forwarded with recommendations from the Chancellor, the President, and the Committee on Personnel and Tenure to the Board of Governors. (Instructions below)

4. Medical School Salaries: (UNC-CH and ECU only)

- a. Salaries for the medical schools at the University of North Carolina at Chapel Hill and East Carolina University shall be subject to ceilings established for the applicable institution, as reflected in Attachment C.
- b. For those employees who receive compensation from medical faculty practice plans, compensation bonuses provided by the plans will be paid in proportion to the distribution of their salaries between the funding source for the applicable plan and the state sources. Any remaining salary increase for these persons may be paid from the medical faculty practice plans according to the availability of such funds without regard to the proportionate conditions from state sources.
- c. Since it is commonplace that substantial components of salaries of full-time faculty members in clinical departments of schools of medicine derive from receipts for patient care by approved institutional clinical practice plans, it is acknowledged that total salaries of faculty members for full-time service in these disciplines should reflect their levels of clinical activity. Thus, it is consistent that the salary of a faculty member in a clinical department be subject to a salary decrease if there is a substantial reduction in the individual's level of participation in the practice plan.

B. July 1 Increases

- 1. Minimum Increases for EPA Employees.** Subject to the following requirements and exclusions, each eligible EPA employee shall receive a salary increase of not less than 1.2% for the 2012-2013 fiscal year.
 - a. The salary increase shall be effective July 1, 2012 and paid in the September payroll (or as soon thereafter as possible) with the appropriate retroactive calculation.
 - b. If an employee is paid in part or in whole from non-state funds, any increase related to the 1.2% across-the-board must be allocated proportionately to the base salary, across all funding sources.
 - c. Chancellors may determine in appropriate circumstances that individual employees will not receive some or all of the salary increase described above. Unless chancellors determine exceptional circumstances, employees in the following (or similar) groups are generally not expected to receive a July 1 increase.
 - 1) New EPA employees who have been hired in 2012 with a salary determined for 2012-13. (see note immediately below)

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- 2) EPA continuing employees who have had salary increases effective for 2012-13 such as those that may have been awarded for retention, equity, or new assignments. (see note immediately below)
- 3) EPA employees who have fixed term contracts that have established 2012-13 salaries.
- 4) EPA employees who have been given notice of non-renewal of appointment.

NOTE: If appropriate, the chancellors are authorized to give a 1.2% increase to these individuals later in the fiscal year (i.e. after a year in the position). Such increases though must be on a current payroll basis and not retroactive to July 1.

- d. **Other Salary Adjustments:** The Board authorizes the Chancellors to use any additional funds, including any remainder of the funds appropriated by the General Assembly for salary increases under the Act, to provide salary increases to EPA employees for retention, merit, or equity, or to provide recruitment bonuses, as authorized by the Act and consistent with University policy, as reflected herein.
 - 1) Any salary adjustments (permanent or temporary) made with non-state funds, including funds from grants, endowment income, or other sources must be consistent with applicable endowment fund guidelines, funding agency requirements, and any other applicable requirements.
 - 2) Such additional funds cannot exceed a 1.8% pool on a campus-wide basis; however, salary adjustments made from the Faculty Recruitment and Retention Fund are not to be included in the 1.8 % calculation.

2. Procedures for Review and Approval

Consistent with the foregoing requirements, the Chancellors shall present their salary increase recommendations, if any, according to these instructions for 2012-13. Salary increases for 2012-13 shall not be reflected in any payrolls until the appropriate authorizations from the President and Board of Governors have been completed.

- a. **No additional approval is required for the 1.2 % across-the-board adjustments.**
- b. **Salary Adjustments Requiring BOG approval:**
 - 1) Salaries for any individual that lead to a salary level of 15% or more AND \$10,000 or more above the June 30, 2012 salary on an individual or cumulative basis, shall continue to require prior approval by the Committee on Personnel and Tenure, such increases should be requested only in exceptional circumstances. All requests should be emailed to bogapproval@northcarolina.edu using the “Board of Governors Salary Increase” template.
 - 2) **Exceeding the Established Salary Range:** Instances in which the proposed salary of any EPA employee will exceed the established salary range (except for those salaries currently above the range for employees who receive the 1.2% salary increase) must also be submitted to the Board of Governors for pre-approval.

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- c. **Campuses without management flexibility to appoint and fix compensation** must submit the following:
 - 1) All requests for salary increases (other than the 1.2%) for SAAOs (which includes the chancellors, vice chancellors and provosts, deans, and directors of major educational or public service activities who have a rank equivalent to dean, head librarians, or legal assistants to the chancellors) must be submitted to the President. Due to the September BOG deadlines, these recommendations must be received by August 28, 2012. Please continue to use the attached “Board of Governors Salary Increase” template for this purpose (*Attachment A*).
- d. **Campuses with management flexibility to appoint and fix compensation** must submit the following:
 - 1) Updates to salary ranges established by the Board of Trustees that have occurred since management flexibility was granted.
 - 2) The “Board of Governors Salary Increase” template (*Attachment B*) listing any increases (other than the 1.2%) approved by the Board of Trustees for SAAOs, *for information purposes only* by September 30, 2012.
- e. **Medical Faculty:** For faculty members in clinical departments of the schools of medicine, authority is delegated to the chancellor at those campuses with Management Flexibility to Appoint and Fix Compensation to approve guidelines and procedures as developed by the institutions, and to have final approval of all salary *decreases* recommended to the chancellor for faculty members in those departments. The approved guidelines and an annual summary of salary reductions for faculty members in clinical departments of the schools of medicine under this resolution shall be reported to the Committee on Personnel and Tenure. Submit this report by September 30, 2012.
- f. **Delegation to Chancellors:** The President is authorized to delegate to the Chancellors of all campuses approval of all increases that are below \$10,000 or 15% and are paid entirely from grants or contracts, or other non-appropriated funds.

C. Salary Adjustments After September

- 1. **Salary Adjustments:** Salaries for any individual that lead to a salary level of 15% or more AND \$10,000 or more on an individual or cumulative basis for 2012-2013 shall continue to require prior approval by the Committee on Personnel and Tenure, such increases should be requested only in exceptional circumstances. All requests should be emailed to bogapproval@northcarolina.edu using the “Board of Governors Salary Increase” template.
- 2. **Exceeding the Established Salary Range:** Instances in which the salary of any EPA employee is requested to exceed the established salary range must also be submitted to the Board of Governors for pre-approval.

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3. BOG Pre-Approval is not required for:

- a. An increase resulting from a change in contract period, (i.e. 9 months to 12 months appointment conversions or FTE adjustments) where the payrate does not change.
- b. A temporary administrative supplement (such as for advisers, department chairs, assistant department chairs, etc.) *that does not change the annual base salary rate*. It is anticipated that such increases will be associated with persons given new or additional assignments or changes of duty; or
- c. Salary increases in excess of \$10,000 and 15% for faculty members who are receiving salary increases funded through the Faculty Recruitment and Retention Fund. *However, these increases do require Presidential pre-approval. See section IV Faculty Recruitment and Retention Fund below.*

Except for campuses without management flexibility:

- d. An increase in an EPA salary, less than \$10,000 OR less than 15%, paid entirely from grants or contracts or other non-appropriated funds, such as an increase associated with an anniversary date of employment or of the contract(s) and grant(s) from which the salary is funded.
- e. Increases due to a promotion resulting from a competitive (external) search process (search waivers are not competitive searches).

III. Salary Increase Reporting Requirements

Quarterly salary increase reports to the Office of State Personnel, the Office of State Budget and Management, and the Fiscal Research Division are still required for 2012-13. UNC General Administration will continue to collect and compile the system-wide report.

In addition, the required report on the uses of the 1.2% salary increase appropriation, as noted in the budget provision, will be coordinated by UNC General Administration Finance Division after the salary increase funds have been enacted. Campuses will need to document associated actions taken in the use of those funds, in order to complete that report prior to the required due date.

IV. Faculty Recruitment and Retention Fund

The University Faculty Recruitment and Retention Fund was reestablished for the 2012-2013 fiscal year. Allocations from the fund shall be made for salary increases at the discretion of the President of The University of North Carolina only for the purpose of recruiting and retaining faculty members as necessary at constituent institutions. The procedures previously established for the Faculty Recruiting and Retention Fund will continue (see *Attachment D*).