

Policy on Non-Salary and Deferred Compensation

I. Non-salary Compensation

A. Irrespective of the campus' status regarding management flexibility in personnel, all constituent institutions and the UNC System Office shall have a policy concerning the granting of non-salary compensation for all personnel exempt from the North Carolina Human Resources Act except for the chancellor and the president. The policy shall (i) provide specified non-salary compensation to a defined category of employees uniformly or (ii) require appropriate approval – by the board of trustees, Board of Governors, chancellor, or president, as applicable and as provided in this policy – regarding non-salary compensation granted to an individual employee before non-salary compensation is provided.

B. Each policy that provides specified non-salary compensation to a defined category of employees shall set out what types of non-salary compensation the campus or UNC System Office will provide, and the criteria for awarding such compensation. The awarding of non-salary compensation may be based on any reason or reasons considered relevant to attracting or retaining faculty and staff of the highest possible quality. Decisions concerning non-salary compensation shall not be based in whole or in part upon any of the protected statuses included in Section 103 of The Code.

C. The funding source for non-salary compensation shall not be state funds, and non-salary compensation may be provided directly by an associated foundation if permitted by policy. An exception permitting non-salary compensation to be funded from state funds may be approved by a board of trustees or the Board of Governors only when permitted by the Office of State Budget and Management (OSBM). Any special campus services or benefits or club membership for an employee must be job related, and the club must have a policy prohibiting discrimination against groups protected by federal and North Carolina law. Non-salary compensation shall be appropriately reported to federal and state tax agencies.

D. The hiring approval process may include payment of moving expenses in accordance with authority from the Office of State Budget and Management. The decision of whether to approve payment of moving expenses in an employment offer for an employee who is not included in an established category of employees who are provided compensation for moving expenses may be delegated no lower than the provost/vice chancellor level or vice president level.

E. The following items are permissible and are not considered “non-salary compensation” for purposes of this policy: (i) Provision of housing, when occupancy of the housing is required as

a part of the job; (ii) reimbursement of professional- or work-related travel; and (iii) provision of materials and equipment to perform the work of the position, even if used at home, including computers, monitors, mobile phones, tablets, and similar work-related items.

F. Sign-on, Retention, and Performance-Based Bonus Compensation Programs.¹ The Board of Governors delegates authority to the constituent institution boards of trustees to administer sign-on, retention, and performance-based bonus programs for SAAO, faculty, and EPS employees. Equivalent authorities are granted at the direction of the president to administer such programs for UNC System Office SAAO, faculty, and EPS employees.

1. A sign-on bonus may not exceed the lesser of \$25,000 or 20 percent of the annualized base salary of the new position without seeking the approval of the president or the president's designee.

2. A retention bonus may not exceed the lesser of \$25,000 or 20 percent of the employee's current base salary without seeking the approval of the president or the president's designee.

3. Performance-based bonus compensation awarded through this policy in a single fiscal year that exceeds 20 percent of an individual employee's current base salary and \$50,000 must receive approval from the president and the Committee on University Personnel of the Board of Governors.

4. An employee may receive either a sign-on bonus or a retention bonus, but not both, within any 24-month period. The award of performance-based bonus compensation shall be administered independently from any sign-on or retention bonus program and shall be tied to an annual performance review for non-faculty employees and to the provisions of a written incentive compensation plan for covered faculty. Performance-based pay for clinical faculty is subject to the relevant approved clinical incentive pay plans and is exempt from these provisions. When applicable, and in accordance with Executive Retirement Plan documents, performance-based bonus awards for Plan-eligible employees may be directed to an executive retirement plan administered by the UNC System Office, in lieu of a cash payment.

5. The boards of trustees may delegate authority to approve sign-on, retention, and/or performance-based bonuses to the chancellor and/or chancellor's designee(s) with the exclusion of such bonuses for SAAOs, which may not be delegated. For employees of the UNC System Office, the president has authority to approve sign-on, retention, and performance-based bonuses, including such bonuses for SAAOs and EPS employees.

6. Institutions may establish rules to require an employee to pay back all or part of sign-on or retention bonus payments already received if the employee separates from the institution fewer than 12 months after payment of the bonus award.

7. Bonuses may be provided using either state funds or non-state funds. For state funds, such use must be permissible under the policies of OSBM.

8. Institutions must establish specific procedures for reviewing and monitoring sign-on, retention, and performance-based bonuses.
9. Institutions may adopt additional supplemental policies and procedures surrounding sign-on, retention, and performance-based bonuses, provided such policies do not conflict with this Policy and are consistent with applicable state or federal law.
10. The president may establish guidelines for periodic reporting on these bonus compensation programs.

II. Delayed or Deferred Salary/Compensation

A. The State of North Carolina and the University of North Carolina System offer employees options for deferred compensation and insurance. Unless expressly approved by the Board of Governors, constituent institutions and the UNC System Office may not provide any other employer-paid options for deferred compensation or other delayed compensation to its employees.

B. For purposes of this policy, delayed and deferred salary or compensation shall be broadly defined to include, but are not limited to, any employer payment or contribution paid (1) directly to an employee, (2) to the employee's account or plan, or (3) to a person acting in a capacity similar to a trustee for the employee, which is paid later than the regular or next subsequent payment cycle, except for an error that is promptly corrected upon discovery. Delayed and deferred salary/compensation also includes traditional 457 deferred compensation plans, any retirement plans or accounts, annuities, and life insurance accumulating any cash value. Delayed and deferred compensation also include both tax qualified and non-qualified plans, and any other similar form of payment, whether tax sheltered or not.

C. This policy does not prohibit a campus from making any permitted employer contribution to the Optional Retirement Program or the Teachers' and State Employees' Retirement System.

D. The Board of Governors previously authorized, by way of Board resolution,² the establishment of the Senior Athletic Employee Retirement Program (SAERP) in the form of discretionary employer contributions to both qualified and non-qualified retirement plans. This provision (II.D.) codifies that authorization in policy. Contractually obligated deferred compensation provisions or contributions for eligible coaches and athletic directors must continue to be approved by the Board of Governors pursuant to Section 1100.3 of the UNC Policy Manual, *Head Coaches' and Athletic Directors' Contracts*. The Board has delegated the administration of the SAERP program to the President. All contributions submitted under this program must be made with non-state funds.

~~D.E.~~ The Board of Governors previously authorized, by way of Board resolution,² the establishment of the Senior Administrative Officer Retirement Program (SAORP) in the form of discretionary employer contributions to both qualified and non-qualified retirement plans. This provision (II.E.) codifies that authorization in policy. Participation and awards to SAORP accounts for the president and chancellors must be approved by the Board of Governors or, where such authority has been specifically delegated, by the Committee on University Personnel. The Board has delegated approval of SAAOs to participate in the SAORP to the president. In addition, the

Board has delegated the administration of the SAORP program to the president. All contributions submitted under this program must be made with non-state funds.

- III. Non-Salary or Deferred Compensation of Chancellors and President. Other than a state-provided car or a car of comparable value, a chancellor's or the president's residence as provided for in Section 300.1.5 of the UNC Policy Manual, Occupation of Official Residences of the Chancellors and the President, work related club memberships, reimbursement of moving expenses upon initial employment as a chancellor or president, and benefits uniformly provided to all employees exempt from the North Carolina Human Resources Act, only the Board of Governors may approve non- salary or deferred compensation for a chancellor or the president. The funding source for non-salary compensation for a chancellor or the president, other than that specified in this paragraph, shall not be state funds, but an exception may be approved by the Board of Governors. Club memberships may never be paid using State funds.
- IV. Employees Exempt from this Policy. Members of faculty medical practice plans, such as physicians, dentists, and veterinarians, are exempt from this policy. Athletic directors and head coaches remain subject to Section 1100.3 of the UNC Policy Manual and are exempt from this policy.
- V. Review and Approval. Campus policies on non-salary and delayed/deferred salary/compensation must be submitted as a part of the campus request for management flexibility to appoint and fix compensation. Campuses already granted management flexibility in personnel shall submit their policies to the UNC System Office for review. Subsequent changes to the policies must be submitted for review by the UNC System Office prior to submission to the campus board of trustees for approval. In some cases, policies with extensive revisions will be reconsidered by the Committee on University Personnel of the Board of Governors.
- VI. Other Matters
 - A. Effective Date. The requirements of this policy shall be effective on the date of adoption of this policy by the Board of Governors.
 - B. Relation to State Laws. This policy is meant to supplement, and does not purport to supplant or modify, those statutory enactments which may govern or relate to the subject matter of this policy.
 - C. Regulations and Guidelines. This policy shall be implemented and applied in accordance with such regulations and guidelines as may be adopted from time to time by the president.

¹ See May 26, 2022, Resolution of the Board of Governors of The University of North Carolina System "Delegated Authorities Regarding Non-Base Salary Compensation for University Employees Exempt from the State Human Resources Act." Cf. Section 300.2.14.2[R].

² See April 7, 2022, Resolution of the Board of Governors of The University of North Carolina System "Delegated Authorities Regarding the Senior Administrative Officer and Senior Athletic Employee Retirement Programs."