

6. Compensation Committee Report; Policy ReviewBrian Usischon/Tom Shanahan

Situation: The Special Committee on Compensation has been engaged in reviewing and considering possible improvements to the University of North Carolina's total compensation program for the president, chancellors and certain senior leadership positions.

Background: The Board of Governors sets the compensation for the President. The Board also sets the compensation for each chancellor on the recommendation of the President. The Board establishes salary ranges and general terms of compensation, leave, benefits and other terms of employment for the President, the chancellors, and Senior Academic and Administrative Officers (on the President's recommendation) in accordance with Section 300.1.1 of the UNC Policy Manual.

The Special Committee has received and reviewed a report by the University's compensation and benefits consultant. The report includes an assessment of the University's compensation practices in comparison to other institutions of higher education (public and private), for profit organizations, non-profit organizations of similar complexity, and general industry.

Assessment: The Special Committee recommends that the Board adopt new salary ranges for the chancellors, the president and senior leaders as reflected in the report. The Special Committee also recommends that the Board consider changes to University Policy 300.1.1 to provide the flexibility to adopt and utilize the compensation practices described in the report. A draft policy amendment has been prepared for review and approval by the Committee on Personnel and Tenure.

Action: The report is for information and discussion. The broad salary ranges recommended in the report are for a VOTE and for recommendation to the Board of Governors.

The draft revisions to UNC Policy 300.1.1 are for discussion. If appropriate, the Committee on Personnel and Tenure may vote to recommend that the Board of Governors review the draft revisions to the policy and vote to approve the revisions at a subsequent meeting of the Board of Governors.

University of North Carolina Executive Compensation Analysis

Summary Report

April 6, 2015 (Amended/Revised April 7, 2015)

Introduction

- This report summarizes our findings, observations and recommendation based on a comprehensive review of UNC's total compensation program for leadership positions in both General Administration and at each unique UNC institution.
- The information contained in this report is provided in greater detail in the following documents:
 - An Interim Report of Findings, which was presented to the Committee in December 2014.
 - This report contained data for primary markets that was compiled from Form 990 filings and for secondary markets from third-party compensation surveys.
 - A Final Report of Findings, which is included in the package of materials for the April 6, 2015, meeting of the Special Committee.
 - This report added the results from the custom survey conducted by Buck to the data compiled in our Interim Report described above.
 - An analysis on compensation practices for the Chancellor of the North Carolina School of Science and Math is provided in a separate report and is contained in the package of materials referenced above.
- In this report, we will discuss the following items:
 - UNC Executive Compensation Philosophy
 - Proposed Executive Salary Ranges
 - Components of Executive Compensation
 - In this section, we will discuss:
 - Current components of compensation,
 - The overall competitive position of current compensation relative to primary labor markets, and
 - Potential components for UNC to consider based on the findings of this study.

Executive Summary

- Overall, we found that UNC maintains a compensation program that generally meets minimum competitive requirements relative to compensation practices in its defined labor markets, but is generally not competitive in those market segments where it competes for highly qualified leadership talent.
- Our experience shows that many institutions in these markets have become highly aggressive and that the ability to recruit and retain superior talent is closely tied to the ability to offer a superior compensation program.
- Our analysis shows that the structure of the overall program offered by UNC does not offer a clear competitive advantage, particularly when recruiting top tier talent.
 - Our findings indicated that compensation for System positions was competitive in some situations, but top talent may be at risk from leading competitors in the market. Only a few positions were considered to be competitive for upper tier talent.
 - Our findings indicated that compensation was not competitive or was marginally competitive for some Chancellor positions while others would be considered competitive in most situations; however, top talent may still be at risk from leading competitors in the market. None of the compensation packages for Chancellor positions were considered to be competitive for upper tier talent.
 - Consistent with market practices, UNC provides compensation largely through base salary, supplemental benefits and perquisites.
 - While the use of incentive compensation remains a minority practice in comparable higher education institutions, the use of these programs is becoming increasingly important in higher education as organizations seek to distinguish their compensation offerings to create a competitive advantage as they recruit in both primary and secondary markets.
 - Supplemental benefit and perquisite programs were generally consistent with market practices.
 - UNC offers a SERP to its executives, providing an advantage since this is a minority practice, with only 10% of survey participants offering such an arrangement.
 - At the same time, UNC does not offer an executive tax deferred compensation program, while about one-half of the survey participants reported offering such an arrangement.

UNC Executive Compensation Philosophy

UNC Executive Compensation Philosophy

- The use of an executive compensation philosophy is an emerging best practice in higher education, used to define market desired position, guide compensation decisions and ensure that executive compensation programs meet the highest standards of good governance.
- We recommend that an executive compensation philosophy be based the following principles:
 - Provide a competitive advantage as UNC seeks to attract and retain superior leadership talent in our primary labor markets, which include public and private higher education institutions of comparable size, scope and complexity, as well as national, regional and local organizations in secondary markets with executives that possess specialized skills, competencies and experiences that are aligned with our needs;
 - Be consistent with best practices in the market with regard to the design and delivery of a competitive total compensation opportunity;
 - Provide a mix of compensation, i.e., cash, benefits and supplemental compensation, that is consistent with our culture, allowing us to attract and retain executives who will thrive at UNC;
 - Compensate individuals and/or teams for their relative levels of contribution to the success of the University, and where appropriate, make accommodations for individual skills, competencies and credentials that may be of strategic importance to the University;
 - Establish consistent linkage of system-wide programs, systems and processes while providing flexibility appropriate to the dynamic challenges facing UNC and to differences across the system and its unique institutions;
 - Align executives' goals with organizational objectives; recognizing and rewarding their contributions to sustained success;
 - Be tax-effective while meeting all legal, contractual, and compliance requirements; and
 - Be fiscally responsible.

Proposed Executive Base Salary Ranges

Proposed Executive Base Salary Ranges

Current Base Salary Structure for Chancellors

- The current salary structure and grade assignment for Chancellor positions is shown on the right.
- Grade structure is typical of a traditional hierarchical arrangement
- The “Step” (i.e., the distance between a midpoint and the next highest midpoint) is irregular, ranging from 4.1% to 40.2%.
- The salary range is relatively narrow, with a “spread” (i.e., the distance between minimum and maximum) of approximately 56%.
- Based on our analysis, these ranges do not always reflect salary requirements in primary markets.

UNC 2014-2015 Salary Ranges

| Group | Institution | Minimum | Midpoint | Maximum | Step | Spread |
|-------|------------------------------|-----------|-----------|-----------|-------|--------|
| 1 | NCSU UNC-CH | \$419,740 | \$524,675 | \$655,844 | 40.2% | 56.3% |
| 2 | ECU NCA&T UNCC UNCG | \$299,379 | \$374,224 | \$467,779 | 23.0% | 56.2% |
| 3 | ASU NCCU UNCW WCU | \$243,322 | \$304,153 | \$380,191 | 26.6% | 56.3% |
| 4 | FSU UNCP WSSU | \$192,154 | \$240,192 | \$300,240 | 5.3% | 56.2% |
| 5 | UNCA UNCSA | \$182,546 | \$228,182 | \$285,228 | 4.1% | 56.2% |
| 6 | ECSU NCSSM | \$175,302 | \$219,128 | \$273,909 | | 56.2% |

Proposed Executive Base Salary Ranges

Current Base Salary Structure for System Positions

- The current salary structure for System positions is shown below.
- Each position has a discrete salary range based on CUPA data. As a result, salary data to determine ranges is only available for those positions included in the CUPA survey.
 - CUPA ranges for *Chief of Staff* and *Top Technology-Based Learning and Innovation Executive* are not presented below, as there is no CUPA match available for these positions.
- The “Step” (i.e., the distance between a midpoint and the next highest midpoint) is irregular, ranging from 4.9% to 76.2%.
- The salary range is relatively narrow, with a “spread” (i.e., the distance between minimum and maximum) of approximately 56%.
- Based on our analysis, these ranges do not always reflect salary requirements in primary markets.

2014-2015 CUPA Ranges

| Position | Minimum | Midpoint | Maximum | Step | Spread |
|--|-----------|-----------|-----------|-------|--------|
| President | \$455,436 | \$583,528 | \$711,619 | 76.2% | 56.3% |
| Top Academic Affairs Executive | \$259,038 | \$331,112 | \$403,185 | 14.4% | 55.6% |
| Chief Operating Officer | \$225,960 | \$289,512 | \$353,063 | 4.9% | 56.3% |
| General Counsel, Top Legal Affairs Executive | \$215,402 | \$275,984 | \$336,565 | | 56.2% |

Proposed Executive Base Salary Ranges For System Positions and Chancellors

- Based on our external and internal analyses, we have slotted UNC positions into the recommended broad grade structure (shown below).
- This process largely preserves the relationships that currently exist at UNC, but at the same time, provides a structure that allows for much greater flexibility in meeting the diverse market requirements in UNC's defined labor markets.

| Grade | Minimum | | Market-Range | | Maximum | Step | Spread |
|-------|-----------|---|-----------------------|---|-------------|------|--------|
| GA1 | \$435,268 | - | \$647,461 - \$875,977 | - | \$1,088,170 | 126% | 150% |
| GA2 | \$214,286 | - | \$286,433 - \$387,528 | - | \$535,714 | 25% | 150% |
| GA3 | \$171,429 | - | \$189,347 - \$256,176 | - | \$428,571 | | 150% |
| CH1 | \$435,268 | - | \$647,461 - \$875,977 | - | \$1,088,170 | 50% | 150% |
| CH2 | \$290,179 | - | \$431,641 - \$583,984 | - | \$725,446 | 25% | 150% |
| CH3 | \$232,143 | - | \$345,313 - \$467,188 | - | \$580,357 | 25% | 150% |
| CH4 | \$185,714 | - | \$276,250 - \$373,750 | - | \$464,286 | | 150% |

| UNC Positions | Proposed Grade |
|--|----------------|
| System Positions | |
| President | GA1 |
| Chief of Staff (1) | GA2 |
| Chief Operating Officer | GA2 |
| General Counsel, Top Legal Affairs Executive | GA2 |
| Top Academic Affairs Executive | GA2 |
| Top Technology-Based Learning and Innovation Executive | GA3 |
| Chancellors | |
| Chapel Hill | CH1 |
| NC State | CH1 |
| Charlotte | CH2 |
| East Carolina | CH2 |
| Greensboro | CH2 |
| A&T State | CH3 |
| Appalachian State | CH3 |
| NC Central | CH3 |
| Western Carolina | CH3 |
| Wilmington | CH3 |
| Asheville | CH4 |
| Elizabeth City State | CH4 |
| Fayetteville | CH4 |
| Pembroke | CH4 |
| School of Arts | CH4 |
| Winston Salem | CH4 |

(1) The role of System Chief of Staff at UNC operates at a higher level than those found at comparator institutions, with additional responsibilities normally associated with an Executive Vice President or Deputy President level. For this reason, this position has been slotted up one grade into GA2. Depending on the scope, as determined by the President, the position could remain in a GA2 or be slotted into a GA3.

Components of Executive Compensation

Components of Executive Compensation

- In this section, we will discuss the:
 - Current market position for the UNC positions covered by this study for base salary and total direct compensation (i.e., base salary + incentive compensation + deferred compensation),
 - Components that comprise the current compensation package for UNC, and
 - Components that UNC may consider to enhance its competitiveness across the full range of its labor markets as it seeks to attract and retain superior leadership talent.

Components of Executive Compensation

Current Market Position – General Administration

- In aggregate, base salaries and total direct compensation for the six executives at General Administration are competitive only at the lower ranges of defined markets, e.g., between the 50th percentile and the 75th percentile, with varying individual market positions.
- **Base Salaries**
 - Base salaries for two positions, *President* and *Chief of Staff*, are competitive with the top tiers of the market for comparator organizations, e.g., above the 75th percentile.
 - One position, *Top Technology-Based Learning and Innovation Executive*, is competitive in most situations with target markets, e.g., between the 50th percentile and the 75th percentile.
 - Two positions, *Top Academic Affairs Executive* and *General Counsel and Top Legal Affairs Executive*, are marginally competitive, e.g., between the 25th percentile and the 50th percentile.
 - One position, *Chief Operating Officer*, is not competitive, e.g., below the 25th percentile.
- **Total Direct Compensation**
 - Total direct compensation for two positions, *President* and *Chief of Staff*, is competitive with the top tiers of the market for comparator organizations, e.g., above the 75th percentile.
 - Two positions are competitive in most situations with target markets, e.g., between the 50th percentile and the 75th percentile.
 - *Top Technology-Based Learning and Innovation Executive* and *General Counsel and Top Legal Affairs Executive*
 - One position, *Top Academic Affairs Executive*, is marginally competitive, e.g., between the 25th percentile and the 50th percentile.
 - One position, *Chief Operating Officer*, is not competitive, e.g., below the 25th percentile.

Components of Executive Compensation

Current Market Position – Institution Chancellors

- In aggregate, base salaries and total direct compensation for the institution Chancellors show considerable variance.
- **Base Salaries**
 - Base salaries for none of the Chancellors are competitive with the top tiers of the market for comparator organizations, e.g., above the 75th percentile.
 - Base salaries for three Chancellors, *NC State*, *School of the Arts*, and *Fayetteville*, are competitive in most situations with target markets, e.g., between the 50th percentile and the 75th percentile.
 - Base salaries for seven Chancellors, *Charlotte*, *A&T State*, *Western Carolina*, *Asheville*, *Pembroke*, *Winston-Salem* and *Elizabeth City State*, are marginally competitive, e.g., between the 25th percentile and the 50th percentile.
 - Six Chancellors, *Chapel Hill*, *East Carolina*, *Greensboro*, *Wilmington*, *Appalachian State*, and *Central* are not competitive, falling at or below the 25th percentile.
- **Total Direct Compensation**
 - Total direct compensation for none of the Chancellors is competitive with the top tiers of the market for comparator organizations, e.g., above the 75th percentile.
 - Total direct compensation for three Chancellors, *Western*, *School of Arts*, and *Fayetteville*, are competitive in most situations with target markets, e.g., between the 50th percentile and the 75th percentile.
 - Total direct for eight Chancellors, *NC State*, *A&T State*, *Appalachian State*, *Central*, *Asheville*, *Pembroke*, *Winston-Salem* and *Elizabeth City State*, are marginally competitive, e.g., between the 25th percentile and the 50th percentile.
 - Five Chancellors, *Chapel Hill*, *Charlotte*, *East Carolina*, *Greensboro* and *Wilmington* are not competitive, falling below the 25th percentile.

Components of Executive Compensation

Current Components of Compensation

Basic Retirement Benefits

- UNC provides participation in a defined benefit plan. The benefit is based on the average of the individual's highest salaried years.
 - This practice is consistent with a majority of participants offering a defined benefit retirement plan. Over half of the participants who offer a defined benefit plan determine the benefit by averaging the participant's highest salaried years.
- UNC also provides participation in a defined contribution plan. However, executives must choose between participation in the defined benefit plan or the defined contribution plan, which is not consistent with participant practices.
 - This benefit is provided by about 90% of the participants.
 - Slightly more than half of the participants allowed executives to participate in both a defined contribution and a defined benefit plan rather than have to choose between plans.
 - For organizations offering a 401(k) or 403(b) defined contribution program, slightly more than one-half of the participants do not provide a matching contribution. For those providing a match, most participants provide a fixed percent of base salary only. Most participants that provide a match do not use a safe harbor design (about 75%).
- UNC does not provide an executive tax deferred compensation program.
 - About one-half of the participants in the survey offer such an arrangement to their executives.
 - For participants offering a deferred compensation arrangement, the most common practice is to offer a 457(b) plan, with slightly less than one-half of the participants reporting such an arrangement.
 - The next most common practice was to offer a 457(f) plan, with slightly less than one-third of the participants reporting such an arrangement.
 - Only one participant reported offering both arrangements.

Components of Executive Compensation

Current Components of Compensation

Basic Retirement Benefits (Continued)

- UNC provides its executives with participation in a Supplemental Executive Retirement Plan (“SERP”).
 - A majority of participating organizations (almost 90%) do not offer participation in a SERP to their executives.
- UNC also offers a Q-SERP arrangement to its executives.
 - None of the participants in our survey reported offering a Q-SERP as part of their compensation offering.

Executive Retention Plan

- While a retention bonus is structured as a non-qualified deferred compensation arrangement, there is a distinction in terminology.
 - A retention bonus is a one-off plan while deferred compensation is a broader offering.
 - While deferred compensation can serve as a retention vehicle, it is also a long-term capital accumulation vehicle so it may be used instead of a SERP.
 - A retention bonus is solely for the purpose of retention, where an institution believes a key employee may be at risk in the market.
- Historically, arrangements have been service based and delivered in one of two ways:
 - Lump sum with a cliff vesting schedule or
 - Annual contribution for a defined period.
- The structure of these plans can vary, but usually provide for the cliff-vesting of an accrued benefit over a fixed period of time.
 - The accrued benefit can range broadly, from the low six-figures to seven-figure payouts.
- A more recent trend is to provide a retention vehicle that is tied to performance but also has service vesting.

Components of Executive Compensation

Current Components of Compensation

Retreat Rights

- UNC is among the minority of participants (~25%) who offer retreat rights to executives when they step down from their executive role and return to faculty positions.
 - The percent of executive salary provided related to retreat rights ranged from 50% - 100% with seven participants responding to this question. UNC's practice of providing 100% of executive salary is in alignment with three participants.
 - Participants cited offering retreat rights over a period of time ranging from 6 months – 8 years, with most (43%) citing six months. This is consistent with UNC's practice.

Housing Benefit

- UNC offers housing benefits to the System President and Institution Chancellors paid with non-state funds; these values have not been represented within this analysis.
 - Most respondents disclosed a housing benefit for System President with a median value of \$52,250.
 - 16% of respondents disclosed a housing benefit for Chancellor with a median value of \$46,000.
 - Types of Housing Benefits disclosed included use of organization owned housing (45%), state owned housing (9%) and subsidized mortgage (2%). Other benefits (44%) were reported as: Housing allowance, stipend for repairs, lump sum, housing on campus, and discretionary.

| Position | n | Market Housing Value | | | |
|----------------------|----|----------------------|----------|----------|----------|
| | | 25th | 50th | 75th | Avg |
| Chancellor/President | 18 | \$24,250 | \$46,000 | \$54,106 | \$40,362 |
| System President | 8 | \$46,800 | \$52,250 | \$64,789 | \$60,761 |

Components of Executive Compensation

Components for Possible Consideration

Performance Plans

UNC does not provide its executives with participation in a short-term incentive program (i.e., a program that measures and rewards performance annually).

- About 20% of the participants reported that they had a formal short-term incentive arrangement in place; this is viewed as an emerging trend as organizations seek to align pay with performance, but is still a minority practice.
- About 10% of the participants offer an informal end-of-year bonus program for executives.
- While this remains a minority practice among higher education institutions, it presents UNC with an opportunity to clearly distinguish its compensation offering from other top tier institutions to create a competitive advantage in the market.

Employment Contracts

UNC does not provide employment contracts to executives.

- This was a majority practice among participants in our survey to provide employment contracts for executives.
- Of those participants that use employment contracts, approximately 70% do not include Evergreen Provisions that would automatically renew the contract.
- This practice is generally very attractive to top tier talent and could help to provide a competitive advantage in recruitment activities.

Components of Executive Compensation

Components for Possible Consideration

Endowed Leadership Chairs

- ***UNC is among the majority of participants (75%) who do not provide teaching stipends for those executives who are also endowed faculty members.***
 - Recruiting, retaining, and promoting outstanding faculty members require the resources and distinction that can only be provided through endowed professorships and chairs. Endowed chairs and professorships provide a pool of funds in perpetuity to support the teaching, research, and professional development of top scholars.
 - This is considered a best practice in the market and can serve to enhance the attractiveness of UNC's total compensation offering.

Severance

- The majority of participants in our survey reported some sort of severance package for executives. Actual practices varied, with few institutions reporting a target amount or calculating severance as a multiple of base salary.
 - Severance payments were reported ranging from one month to one year, while other participants cited a deferral to the existing employment contract when determining severance.
 - The severance benefit available to executives can vary broadly depending on the executive's role and the negotiated terms of their agreement.
 - In almost all cases, the severance benefit was higher than that offered below the executive level.
 - We have also observed a number of cases where severance could be paid in lieu of notice. Again, this practice varied from a fixed amount, e.g., 60 days to cases where it was not capped.
 - About one-third of participants reported no severance package.

Appendix

Appendix

Glossary of Terminology – Salary Structure

| Term | |
|--------------|--|
| Grade | Pay grades provide a framework for compensation by defining the amount of pay available at each step in the employment process. |
| Midpoint | The market midpoint is the median value of the aged, weighted market data for the position or positions. |
| Market-Range | The range that approximates the target values for experienced incumbents within each grade. |
| Minimum | The lowest established salary that may be paid to an employee that meets the minimum qualifications for the position in that salary grade. |
| Maximum | The highest salary that may be paid to an employee in that salary grade. Generally, employees should not be paid above maximum. |
| Range | Pay ranges set the upper and lower bounds of possible compensation for individuals whose jobs fall in a pay grade. A pay range is created for each grade. |
| Spread | The spread is the distance between the minimum and maximum salaries in a pay range. The spread will depend on many variables within an organization and its compensation policy and practices. |
| Step | The step is the distance between one salary range and the next highest range. Generally, the step is smaller in hierarchical organizations where there is more opportunity to move through job levels and greater in flat organizations where jobs are more broadly defined. |

Appendix

Glossary of Terminology - Cash Compensation

| Element | |
|----------------------------------|---|
| Base Salary | The compensation an employee will receive at a minimum, while additional forms of pay may or may not increase the total pay above this level |
| Annual Cash Bonus/Incentive Plan | An annual cash plan is a variable compensation arrangement. Payments under the plan can be delivered from formal incentive or informal bonus arrangements. Formal incentive arrangements typically provide an incentive opportunity expressed as a percent of base salary, with actual awards based on performance relative to pre-established financial and/or strategic goals. Informal bonus arrangements provide awards based on a discretionary assessment of performance at the end of the plan period. |
| Long-Term Incentive Plan | Programs that are designed to provide incentive payments (or awards) for achievement of performance measures that span a <i>multi-year period</i> . |

Appendix

Glossary of Terminology - Retirement/Long-Term Capital Accumulation Compensation

| Element | Description |
|-----------------------|--|
| Defined Benefit | A defined benefit pension plan is a type of pension plan in which an employer/sponsor promises a specified monthly benefit on retirement that is predetermined by a formula based on the employee's earnings history, tenure of service and age. |
| Defined Contribution | A defined contribution plan is a type of retirement plan in which the employer, employee or both make contributions on a regular basis. Typical arrangements include 401(a), 401(k) and 403(b) plans. |
| Deferred Compensation | A deferred compensation plan is an arrangement in which a portion of an employee's income is paid out at a later date after which the income was actually earned. Typical arrangements include 457(b), 457(f), 415(m) and split dollar life insurance arrangements. |
| Q-SERP | A Q-SERP is an enhanced executive benefits, similar to those provided by executive top hat or excess benefit plans, except that Q-SERPs are provided through a qualified retirement plan. These arrangement allow an organization to shift accrued or future benefits from a SERP to a qualified retirement plan |
| SERP | A executive retirement plan that provides benefits above and beyond those covered in other retirement plans. SERPS can be qualified, non-qualified or a combination. |

Appendix

Glossary of Terminology - Retirement/Long-Term Capital Accumulation Compensation

| Element | Description |
|-------------|--|
| 401k Plan | In 1978, section 401k of the Internal Revenue Code authorized the use of a new type of defined contribution plan that allows for the employee to make pre-tax contributions to the plan. A 401k plan allows employees to make pre-tax contributions to a qualified retirement account. |
| 403(b) Plan | A 403(b) plan, also known as a tax-sheltered annuity plan, is open to public educational employers and private not-for-profit 501(c)(3) organizations. Funded by the employee through elective, tax-deferred contributions and by the employer on a basic, matching or discretionary basis. Employee and employer contributions are tax deferred, but total contributions are limited. Income tax is due upon withdrawal and a 10% federal penalty may apply to early withdrawals. |
| 415(m) Plan | These plans can permit public employers to make contributions in excess of the limitations that apply to their 403(b) or 401(a) plans. The rules governing 415(m) plans are also different from those governing 403(b) and 401(a) plans. |

Appendix

Glossary of Terminology - Retirement/Long-Term Capital Accumulation Compensation

| Element | Description |
|----------|--|
| 457 Plan | <p>Open to state and local governmental employers, and to certain church-affiliated tax-exempt employers sponsoring non-ERISA plans. Basically, these plans allow employees to defer some portion of current income until retirement, providing a current tax advantage and tax-deferred growth. Contributions are limited. Income tax is due upon withdrawal and a 10% federal penalty may apply to early withdrawals.</p> <p>A 457(b) is a qualified arrangement while a 457(f) is a non-qualified arrangement, i.e., one that requires a substantial risk of forfeiture to avoid current taxation</p> |

Appendix

Glossary of Terminology - Supplemental Benefits

| Element | Description |
|------------------------------------|--|
| Supplemental Life Insurance | Enhanced executive life insurance policy, usually offered in addition to the coverage offered by institution to its employee population. Plans can be contributory or paid entirely by the institution |
| Supplemental AD&D | Enhanced executive supplemental AD&D insurance usually offered in addition to the coverage offered by institution to its employee population. Plans can be contributory or paid entirely by the institution |
| Supplemental Short-Term Disability | A supplemental income replacement plan for key people in the event of a sustained disability that requires short-term absence from work. Plans can be contributory or paid entirely by the institution |
| Supplemental Long-Term Disability | A supplemental income replacement plan for key people in the event of a sustained disability that requires an extended or permanent absence from work. Plans can be contributory or paid entirely by the institution |

Appendix

Glossary of Terminology - Perquisites

| Element | Description |
|-----------------------------|--|
| Housing Benefit | Free or discounted housing offered to key employees |
| Retreat Rights | Transition pay offered when an employee moves from executive level to faculty level |
| Financial Counseling | Services offered to key employees including financial planning, tax preparation, and/or estate planning, usually offered as a reimbursement up to a fixed dollar limit |
| Legal Counseling | Legal services offered to key employees typically for non-personal matters, usually offered as a reimbursement up to a fixed dollar limit |
| Annual Physical Exam | Routine physicals, comprehensive hospital examinations, and/or cardiovascular examinations offered to key employees; usually offered at a higher level than provided for in basic insurance coverage |
| Sabbatical Leave | A period of paid leave granted for study or travel |
| Loans | Provided to executives at below-market interest rates (with or without restrictions) |
| Paid Medical Insurance | Enhanced and/or fully paid medical insurance benefit |
| Club Membership | Company-paid memberships in luncheon, country, and health (athletic) clubs. Does not include company-sponsored membership available to broad groups of employees. |
| Automobile Allowance/ Lease | An automobile provided by the institution for both for official and personal use |



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|------------------|------------------|
| Adopted 11/14/86 | Amended 04/12/01 |
| Amended 10/12/90 | Amended 06/08/01 |
| Amended 02/18/94 | Amended 01/11/02 |
| Amended 04/21/95 | Amended 11/08/02 |
| Amended 11/08/96 | Amended 03/21/03 |
| Amended 07/11/97 | Amended 10/10/03 |
| Amended 11/13/98 | Amended 11/12/04 |
| Amended 09/10/99 | Amended 07/01/07 |
| Amended 08/11/00 | Amended 02/08/08 |
| Amended 10/17/08 | Amended 06/20/14 |
| | Amended __/__/15 |

Senior Academic and Administrative Officers

The duties and responsibilities of the president and the chancellors, and of their respective senior staff members, and their relationships to one another, to the Board of Governors, to the Boards of Trustees, and to all other officers and agencies within and without the University are set forth in Chapter V of *The Code of The University of North Carolina*. To complement the provisions of Chapter V and further to clarify these duties, responsibilities, and relationships, the following regulations are adopted by the Board of Governors:

I. Definition of “Senior Academic and Administrative Officers” (SAAO)

A. Senior officers of the University of North Carolina who are subject to the provisions of Section II of this policy are designated as Tier I SAAO. This group includes the president [N.C.G.S. § 116-14(a)]; the vice presidents and other members of the president’s professional staff designated by the Board of Governors on recommendation of the president [N.C.G.S. § 116-14(b)]; the chancellors of the constituent institutions [N.C.G.S. § 116-11(4)]; the vice chancellors, provosts, and deans¹ of the constituent institutions, and the directors of major administrative, educational, research and public services activities of the constituent institutions designated by the Board of Governors [N.C.G.S. § 116-11(5)].

B. Other senior officers of the University of North Carolina who are subject to the provisions of Section III of this policy are designated as Tier II SAAOs. This includes (1) members of the president’s professional staff other than those identified in subparagraph A, above [N.C.G.S. § 116-14(b)]; and (2) associate and assistant vice chancellors; associate and assistant deans ; and other administrative positions within the constituent institutions, other than those identified in subparagraph A above, that have been designated by the president. [N.C.G.S. § 116-11(5)].²

II. Tier I Senior Academic and Administrative Officers of the University of North Carolina as Defined in Section I.A., above, Shall be Subject to the Following Regulations.

A. Appointments and Discontinuation of Appointments

1. Tier I SAAOs are employed in their administrative positions pursuant to this policy. Except with regard to the appointment of the president and the chancellors, no contract or other writing (except for *The Code*) may vary these terms, nor may any oral agreement modify these provisions. The appointments of these Tier I SAAOs are subject to the approval of the Board of Governors or a board of trustees delegated such authority

¹Deans at the North Carolina School of Science and Mathematics fall within Section I.B. of this Policy.

²Other officers include (a) members of the chancellor’s professional staff; (b) those responsible for the administrative direction of separately designated divisions or departments of institutional activity commonly associated with institutions of higher education; (c) those positions whose primary responsibility is to attract external funds for and/or market the University; and, (d) other officers holding positions characterized by active, continuing involvement in formulating, interpreting, and implementing institutional policy and exercising substantial independence of administrative authority and discretion in areas such as program planning and design and allocation of resources.

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by the Board of Governors.³ Such officers do not have tenure in their administrative positions. Except for the president and the chancellors, they serve at the discretion of their employer and are not appointed to serve for specified periods of time. The continuance of these administrators in office therefore is at all times subject to determination by the appropriate authority, as follows:

a. The president's continuance in office is determined by the Board of Governors.

b. The continuance in office of members of the president's professional staff is determined by the president.

c. The continuance in office of the chancellor of a constituent institution is determined by the Board of Governors, which may act to terminate such an appointment upon its own initiative or upon recommendation of the president. The Board of Governors in all instances shall consult the appropriate chair of the board of trustees prior to terminating the appointment of a chancellor. The president may place a chancellor on temporary leave, with or without pay, if the president has reason to believe that illness, injury, misconduct, neglect of duty, or other circumstances may interfere with the chancellor's performance of the duties of the position. Before placing a chancellor on temporary leave, the president shall consult with the chair of the Board of Governors, the chair of the Committee on Personnel and Tenure, and the appropriate chair of the board of trustees.

d. The continuance in office of vice chancellors, provosts, deans, and directors of major educational, research and public services activities of the constituent institutions shall be determined by the chancellor of the institution.

e. Notwithstanding the provisions of (b) and (d) above, the Board of Governors, in accordance with the provisions of Section 501B(6) of *The Code*, reserves the right to initiate action to terminate appointment of those officers when it deems such action to be necessary in the best interests of the University.

2. Tier I SAAOs of a constituent institution are subject to the direction and control of the chancellor and serve at the chancellor's discretion. They are employees at will; thus, the chancellor may not purport to confer on any such officer a period of employment of fixed duration or otherwise confer any property interest in such employment. However, such an officer may be appointed to a period of employment not to exceed a specified number of years, so long as the instrument accomplishing such an appointment states clearly that the incumbent officer is subject to removal at any time, during that period, at the option of the chancellor.

³Pursuant to NCGS § 116-11(13), and notwithstanding *The Code* or any other policy, the Board of Governors has delegated certain authorities to the president of the University. See Policy 200.6, *Delegation Authority to the President of the University*, adopted 11/13/06.

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3. Tenure status as a member of the faculty of a constituent institution, held concurrently by any Tier I SAAO of the University is separate and distinct from the administrative office, and such tenure status is governed by the provisions of Chapter VI of *The Code* and by the tenure policies of the relevant constituent institution. Those tenure policies have no bearing upon and do not govern the administrative appointments covered by this policy.

4. Appointment of the President

a. The Board of Governors shall elect a president in accordance with N.C.G.S §116-14(a), Section 500A of *The Code*, and any policies it adopts. The Board of Governors shall approve the salary and compensation of the president.

b. The Board of Governors may approve a contract with the president. The contract may specify terms including, but not limited to, the president's term of employment; salary; benefits; performance-based incentives; other deferred or supplemental compensation, including endowment-funded stipends; provisions for the termination of the president's employment, including severance pay and retreat rights; and any other terms it agrees upon.

c. In all other regards, the employment of the president is subject to *The Code*, the Policies of the Board of Governors, and the North Carolina General Statutes.

5. Appointment of Chancellors

a. The appointment of chancellors shall be made by the Board of Governors upon the recommendation of the president, in accordance with N.C.G.S § 116-11(4). All salary and non-salary compensation paid to or received by the chancellors in connection with their service as chancellors shall be approved by the Board of Governors upon recommendation of the president.

b. The Board of Governors may approve a contract with a chancellor as recommended by the president. The contract may specify terms including, but not limited to, the chancellor's term of employment; salary; benefits; performance-based incentives; other deferred or supplemental compensation, including endowment-funded stipends; provisions for the termination of the chancellor's employment, including severance pay and retreat rights; and any other terms it agrees upon.

c. In all other regards, the employment of chancellors is subject to *The Code*, the Policies of the Board of Governors, and the North Carolina General Statutes.

d. Except as specifically otherwise provided in the contract, and except as provided in paragraph II.A.1(c) of this policy, after the Board of Governors has

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approved a contract with a chancellor, it will be the sole responsibility of the president to implement the terms of the contract.

B. Compensation

The compensation of Tier I SAAOs shall be set by the Board of Governors or a board of trustees delegated such authority by the Board of Governors.⁴

No president, chancellor, or other Tier I SAAO may be paid, in addition to his or her compensation as established pursuant to the foregoing requirements, for any services rendered to any institution-related foundation, endowment, or other entity that was established by officers of the University, that is controlled by the University, or that is tax exempt based on being a support organization for the University, without the express approval of the Board of Governors. This provision does not prohibit any institution-related foundation, endowment, or other entity that was established by officers of the University, that is controlled by the University, or that is tax exempt based on being a support organization for the University from providing some of the funds to support the Board of Governors' approved compensation of the president, chancellor, or other Tier I SAAO.

C. Equal Employment Opportunity

It is the policy and intention of the University of North Carolina that there be equal employment opportunity and freedom from unlawful discrimination in all employment within the University, as set out in Section 103 of *The Code*.⁵ Employment in a Tier I SAAO position shall be conducted in accordance with all provisions of State or federal law or regulation prohibiting any such discrimination, and in accordance with applicable affirmative action plans.

D. Political Activity

Employment in Tier I SAAO positions shall not be adversely affected by the exercise of rights guaranteed by the First Amendment of the United States Constitution or by Article I of the North Carolina Constitution; provided, that employees in Tier I SAAO positions shall be subject to any limitations on political activity established by Article 5 of N.C.G.S. Chapter 126. The Board of Governors' policies concerning political activity, Policy 300.5 *et seq.*, as they may be revised from time to time, shall apply to Tier I SAAO positions covered by this policy.

E. Holiday and Leave Entitlement Holidays

1. Holidays

A Tier I SAAO shall be subject to the same State-prescribed holidays given employees subject to the State Personnel Act.

⁴See Footnote 3, above.

⁵Bona fide occupational qualifications or other exceptions to those general prohibitions, specifically provided for by State or federal law, may be applied to positions covered by this policy.

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2. Annual Leave

a. Basic Leave Policy

A permanent full-time (1.00 FTE) Tier I SAAO shall be entitled to accrue 26 workdays of annual leave per year.⁶ Annual leave is accrued at a monthly rate and is adjusted proportionately for permanent part-time employees who work halftime or more (.50 - .99 FTE). The monthly earnings amount is equal to one-twelfth (1/12th) of the annual rate for each month the employee works or is on approved leave with pay. Monthly leave is earned when an employee works or is on approved leave with pay at least half the working days of a month.

The maximum number of unused days of annual leave that may be carried forward from one year to the next shall be 30 workdays. Annual leave in excess of 30 days will be automatically converted to sick leave at the end of the year.

b. Transfer of Accrued Annual Leave

An employing institution must establish campus-wide uniform guidelines regarding the transfer of accrued annual leave from a UNC constituent institution or State or local governmental agency whose leave is currently transferable in accordance with the policy prescribed for employees subject to the State Personnel Human Resources Act. Upon discontinuation of employment from the employing institution, the employee may either elect a payout of accrued annual leave (*see d.*, below) or transfer the remaining balance of any unused annual leave to another State or local governmental agency, subject to the receiving agency's approval.

c. Advancement of Annual Leave

Subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of leave that can be accrued during the remainder of the year or during a twelve-month period. If an employee separates from the employing institution and has taken more annual leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

⁶ For the purposes of determining leave under this policy, "year" shall be defined by the employing institution as either a "fiscal year" (July 1 – June 30) or a "calendar year" (January 1 – December 31). Institutions currently defining a "year" as a "contract year" may continue to do so.

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d. Payout of Accrued Annual Leave

A Tier I SAAO who has accrued unused annual leave upon discontinuation of employment from the employing institution and who either does not elect or is not eligible to transfer such accrued leave to another State or local governmental agency, shall be paid for such unused annual leave subject to a maximum of 30 such days. Each institution shall establish guidelines for payout of leave if a change in employment status occurs and such employee is no longer covered by this policy.

3. Sick leave, family and medical Leave, family illness leave, civil leave, military leave, community service leave, and special annual leave bonus

A Tier I SAAO shall be entitled to such sick leave, family and medical leave, family illness leave, civil leave, military leave, community service leave, and special annual leave bonus as may be prescribed for employees subject to the State Human Resources Act.

However, with respect to sick leave, subject to institutional policy and approval by the employee's supervisor, a Tier I SAAO may be advanced the amount of sick leave that can be accrued during the remainder of the year or during a twelve-month period. If the employee separates from the employing institution and has taken more sick leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

4. Miscellaneous Leaves of Absence

A Tier I SAAO who desires a leave of absence for an interval of 90 days or less must obtain the approval of the president, who shall report all such arrangements to the Board of Governors. A leave of absence for a period exceeding 90 days shall require the approval of the Board of Governors.

5. Voluntary Shared Leave

A Tier I SAAO shall be subject to the same provisions concerning shared leave as are applicable to employees subject to the State Personnel Act with the exception that the donation and acceptance of such leave shall be computed on the basis of days rather than hours.

F. Educational Entitlement

A Tier I SAAO is entitled to the same opportunities as other University employees to invoke the privilege of tuition waiver conferred by UNC Policy 1000.2.2.

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G. Statutory and Other Rules of Employment

1. Privacy of Personnel Records

A Tier I SAAO enjoys the protections of and is subject to the provisions of Article 7 of N.C.G.S. 126, entitled, "The Privacy of State Employee Personnel Records."

2. Employment Preference for Veterans

A Tier I SAAO enjoys the protections of and is subject to the provisions of N.C.G.S. § 128-15, which provide for preference in employment for veterans of United States military service and their spouses and widows or widowers.

3. Employment of Related Persons

A Tier I SAAO is subject to the Board of Governors' policy concerning employment of related persons, Policy 300.4.2, as it may be revised from time to time, and any associated guidelines.

H. Retirement

A Tier I SAAO may retire in accordance with the provisions of Chapter 135 of the North Carolina General Statutes.

III. Tier II Senior Academic and Administrative Officers of the University of North Carolina as Defined in Section I.B., above, Shall be Subject to the Following Regulations

A. Appointments

1. Tier II SAAOs are employed in their administrative positions pursuant to this policy. The authority to make appointments and determine salaries for positions within Section I.B(1) is exercised by the Board of Governors, on recommendation of the president, or a board of trustees delegated such authority by the Board of Governors; for positions within Section I.B(2), such authority is delegated by the Board of Governors to the chancellors and the respective Boards of Trustees of the constituent institutions.

2. Every Tier II SAAO appointment within a constituent institution covered by this policy shall be made by the chancellor, or the chancellor's delegate, by means of a letter of appointment that fulfills the requirements of this Section III.

3. Every letter of appointment to a Tier II SAAO position shall include:

- a. The title of the position;
- b. The initial salary;

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- c. A provision for the periodic review of compensation;⁷
- d. A provision consistent with Sections III.A.4., and III.A.5., below, if contingencies based on availability of funding are applicable;
- e. The annual leave entitlement of the employee;
- f. Notice that the employment conferred is an “employment at will” subject to continuation or discontinuation at the discretion of the president or of the chancellor, with the exception of contracts or letters of appointment of directors of athletics, which may be for a term of years and are governed by Policy 1100.3; and
- g. Notice that the employment is subject to this policy as originally adopted and as it may be periodically revised from time to time, and a copy of the policies shall be attached to the letter of appointment.

4. When a Tier II SAAO position is funded in whole or substantial part from sources other than continuing State budget funds or permanent trust accounts, the letter of appointment shall state that continuation of the employee’s service in that position is contingent upon the continuing availability of funds from such other sources to support that position, shall specify the source of such funds, and shall state that the effect of such contingency may apply without the additional notice otherwise required by Sections III.B.1., III.B.2., and III.B.3.; provided, that the affected employee shall be informed at the earliest practicable date of the occurrence of such a funding contingency.

5. When a Tier II SAAO is to serve simultaneously in both a position covered by this policy and a position of University employment not covered by this policy, with the result that two different prescriptions may appear to obtain with respect to a particular condition of employment or a right or responsibility of the employee, one position shall be designated the base position to determine the conditions of employment and the rights and responsibilities of the employee. If appointment to a position covered by this policy occurs subsequent to an appointment to a position not covered by this policy, the letter of appointment to the position covered by this policy shall embody the required designation of base employment; conversely, if appointment to a position covered by this policy precedes appointment to the other category of University employment, the letter of appointment or contract establishing the second employment shall embody the required designation of base employment. In either case, the designation of base employment shall specifically describe the different rights, duties, and compensation for each position and the relationship, if any, between the two positions.

⁷Subject to any compensation policies adopted by the Board of Governors or the board of trustees.

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Any funding contingency of the type referred to in Section III.A.4., shall be set forth separately for the position covered by this policy and for the other position, since the operation of any such contingencies may be independent.

When an appointment to a Tier II SAAO position is to be accompanied by appointment to a faculty position that is intended to be nominal or honorary, or to create a faculty affiliation not entailing significant duties or compensation, the term “adjunct,” or similar nomenclature, shall be used to identify the faculty appointment.

B. Discontinuation of Employment

1. Discontinuation of Appointment, with Notice or Severance Pay

Employment within a Tier II SAAO position that is established by the letter of appointment to be an employment at will is subject to discontinuation at any time at the discretion, respectively, of the president or of the chancellor; provided, that such a discontinuation (as distinguished from discharge for cause, Section III.B.4.) shall be subject to advance timely notice of discontinuation or the payment of severance pay, in calendar days, as follows:

- a. During the first year of service, not less than 30 days notice prior to discontinuation of employment or the payment of severance pay for 30 days;
- b. During the second and third years of service, not less than 60 days notice prior to discontinuation of employment or the payment of severance pay for 60 days; and
- c. During the fourth and all subsequent years of continuous service, not less than 90 days notice prior to discontinuation of employment or the payment of severance pay for 90 calendar days.

The chancellor or the president may provide the employee with a combination of notice and severance pay that totals the respective required number of days. The determination of whether the employee shall receive notice of discontinuance of the appointment or severance pay or a combination of the two shall be in the sole discretion of the respective chancellor or the president.

2. Expiration of Term Appointment

Employment within a Tier II SAAO position that is established by the letter of appointment dated prior to December 1, 2004, to be for a stated definite term expires automatically at the conclusion of the stated term; such an appointment may be extended at the option of the employing institution on an employment at will basis, by written notice satisfying the requirements of Section III.A.

If the employing institution intends not to extend the employment, (a) with respect to a term of one year or less, no notice of intent not to extend shall be required; (b) with respect to a term of more than one year but less than four years, notices of intent

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not to extend shall be transmitted in writing at least 60 days prior to this expiration date of the term; (c) with respect to a term of four years or more, notice of intent not to extend shall be transmitted in writing at least 90 days prior to the expiration date of the term. Failure to provide written notices as required in subsections b. and c., above, shall result in the automatic extension of employment for a period, respectively, of either 60 days or 90 days, beyond the date the notice is given to the employee.

3. Termination of Employment Because of Financial Exigency or Program Curtailment or Elimination

Employment within a Tier II SAAO position that is established by the letter of appointment to be for a stated definite term may be terminated prior to expiration of the stated term because of (a) demonstrable, bona fide institutional financial exigency, or (b) major curtailment or elimination of a program.

“Financial exigency” is defined to mean a significant decline in financial resources of the University that compels a reduction in the university’s or the institution’s budget. The determination of whether a condition of financial exigency exists or whether there shall be a major curtailment or an elimination of a program shall be made, respectively, by the president or by the chancellor, with advance notice to and approval by the Board of Governors.

If the financial exigency or curtailment or elimination of a program is such that the contractual obligation to an employee within a position covered by this policy cannot be met, the employment of the individual may be terminated, subject to the following notice requirements:

- a. During the first year of service, not less than 30 days notice prior to termination;
- b. During the second and third years of employment, not less than 60 days notice prior to termination; and
- c. During the fourth and all subsequent years of service, not less than 90 days notice prior to termination.

4. Discharge for Cause

Any Tier II SAAO may be discharged for stated cause.

Discharge for cause is to be distinguished from discontinuation with notice (Section III.B.1.), automatic expiration of term (Section III.B.2.), and termination because of financial exigency or program curtailment or elimination (Section III.B.3.). Stated causes for discharge shall include, but not necessarily be limited to, incompetence, unsatisfactory performance, neglect of duty, or misconduct that interferes with the capacity of the employee to perform effectively the requirements of his or her employment. Discharge for cause is to be preceded by written notice of intent to discharge and is subject to invocation by the affected employee of the review procedures

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of Section III.C., of this policy. When an employee occupying a position covered by this policy has been notified of the intention to discharge for cause, the president or chancellor, as applicable, may suspend the employment at any time and continue the suspension until the president's or chancellor's decision concerning discharge has been reached; such suspension during this time period shall be with full pay. If the final university decision is to discharge the employee, then the employee may be discharged without further pay without regard to whether there is an appeal to a board of trustees or the Board of Governors in accordance with Section 611 of *The Code*. No provision of this Policy 300.1.1 shall be interpreted to extend an employee's right to pay beyond the expiration of the employee's term of appointment while an appeal is pending under this policy.

C. Reviews

1. General Administration and each constituent institution respectively shall adopt and publicize procedures applicable to relevant cohorts of employees, under which covered employees may secure review of decisions concerning discharge for cause or other disciplinary action, or review concerning the interpretation and application of any provision of this policy; provided, however, that reviews concerning discontinuations, expiration of term appointments, or terminations of employment with notice, pursuant to Sections III.B.1, III.B.2., and III.B.3, may be brought only upon allegations of violations of applicable notice requirements or violations of any provision of Section III.D. or III.E., of this policy.

2. Decisions reached pursuant to such review procedures concerning the discontinuation, expiration of term appointment, termination, or discharge for cause may be appealed in accordance with the provisions of Section 611 of *The Code*.

D. Equal Employment Opportunity

It is the policy and intention of the University of North Carolina that there be equal employment opportunity and freedom from unlawful discrimination in all employment within the University, as set out in Section 103 of *The Code*.⁸ Employment in a Tier II SAAO position shall be conducted in accordance with all provisions of State or federal law or regulation prohibiting any such discrimination, and in accordance with applicable affirmative action plans.

E. Protected Activity

Employment in Tier II SAAO positions shall not be adversely affected by the exercise of rights guaranteed by the First Amendment of the United States Constitution or by Article I of the North Carolina Constitution; provided, that employees in Tier II SAAO positions shall be subject to any limitations on political activity established by Article 5 of N.C.G.S. Chapter 126. The Board

⁸Bona fide occupational qualifications or other exceptions to those general prohibitions, specifically provided for by State or federal law, may be applied to positions covered by this policy.

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of Governors' policies concerning political activity, Policy 300.5.1., *et seq.* as they may be revised from time to time, shall apply to Tier II SAAO positions covered by those policies.

F. Holiday and Leave Entitlement

1. Holidays

Employees in Tier II SAAO positions shall be subject to the same State-prescribed holidays given employees subject to the State Personnel Act.

2. Annual Leave⁹

a. Basic Leave Policy

A permanent full-time (1.00 FTE) Tier II SAAO shall be entitled to accrue 24 workdays of annual leave per year. Annual leave is accrued at a monthly rate and is adjusted proportionately for permanent part-time employees who work halftime or more (.50 - .99 FTE). The monthly earnings amount is equal to one-twelfth (1/12th) of the annual rate for each month the employee works or is on approved leave with pay. Monthly leave is earned when an employee works or is on approved leave with pay at least half the working days of a month.

An employing institution shall define a year as either "fiscal year" (July 1 - June 30) or "calendar year" (January 1 - December 31). (Note: Employing institutions that have previously defined a year as "contract year" may continue to do so.) The scheduling of an employee's annual leave shall be subject to the approval of the employee's supervisor. With respect to an incumbent employee who is earning more than 24 days per year as of the date this policy becomes effective, such employee shall be entitled to continue to earn leave at the current rate.

The maximum number of unused days of annual leave that may be carried forward from one year to the next shall be 30 workdays. Annual leave in excess of 30 days will be automatically converted to sick leave at the end of the year.

b. Transfer of Accrued Annual Leave

An employing institution must establish campus-wide uniform guidelines regarding the transfer of accrued annual leave from a UNC constituent institution or State or local governmental agency whose leave is currently

⁹ Effective July 1, 2001.

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transferable in accordance with the policy prescribed for employees subject to the State Personnel Act [*see* State Personnel Manual, Section 5-1]. Upon discontinuation of employment from the employing institution, the employee may either elect a payout of accrued annual leave (*see* (d), below) or transfer the remaining balance of any unused annual leave to another State or local governmental agency, subject to the receiving agency's approval.

c. Advancement of Annual Leave

Subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of leave that can be accrued during the remainder of the year or during a twelve-month period. If an employee separates from the employing institution and has taken more annual leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

d. Payout of Accrued Annual Leave

A Tier II SAAO who has accrued unused annual leave upon discontinuation of employment from the employing institution and who either does not elect or is not eligible to transfer such accrued leave to another State or local governmental agency, shall be paid for such unused annual leave. The amount paid to an employee who has been employed an aggregate of 24 months or less by one or more State or local governmental agencies is equal to one day for each month worked less the number of days of annual leave taken during the employment period. An employee who has been employed for more than 24 months shall be paid subject to a maximum of 30 such days. Each institution shall establish guidelines for payout of leave if a change in employment status occurs and such employee is no longer covered by this policy.

3. Sick Leave, Family and Medical Leave, Family Illness Leave, Civil Leave, Military Leave, Community Service Leave and Special Annual Leave Bonus

Tier II SAAOs shall be entitled to such sick leave, family and medical leave, family illness leave, civil leave, military leave, community service leave, and special annual leave bonus as may be prescribed for employees subject to the State Human Resources Act.

However with respect to sick leave, subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of sick leave that can be accrued during the remainder of the year or during a twelve-month period. If the employee separates from the employing institution and has taken more sick leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

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4. Leave of Absence without Pay

Tier II SAAOs may request a leave of absence without pay, subject to approval of such leave by the president or by the chancellor, as applicable.

5. Voluntary Shared Leave

Tier II SAAOs shall be subject to the same provisions concerning shared leave as are applicable to employees subject to the State Personnel Act with the exception that the donation and acceptance of such leave shall be computed on the basis of days rather than hours.

G. Educational Entitlement

Tier II SAAOs are entitled to the same opportunities as other University employees to invoke the privilege of tuition waiver conferred by UNC Policy 1000.2.2.

H. Statutory and Other Rules of Employment

1. Privacy of Personnel Records

Tier II SAAOs enjoy the protections of and are subject to the provisions of Article 7 of N.C.G.S. 126, entitled, "The Privacy of State Employee Personnel Records."

2. Employment Preference for Veterans

Tier II SAAOs enjoy the protections of and are subject to the provisions of N.C.G.S. § 128-15, which provide for preference in employment for veterans of United States military service and their spouses and widows or widowers.

3. Employment of Related Persons

Tier II SAAOs are subject to the Board of Governors' policy concerning employment of related persons, Policy 300.4.2, as it may be revised from time to time, and any associated guidelines.

I. Retirement

Tier II SAAOs may retire in accordance with the provisions of Chapter 135 of the North Carolina General Statutes.

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Senior Academic and Administrative Officers

The duties and responsibilities of the president and the chancellors, and of their respective senior staff members, and their relationships to one another, to the Board of Governors, to the Boards of Trustees, and to all other officers and agencies within and without the University are set forth in Chapter V of *The Code of The University of North Carolina*. To complement the provisions of Chapter V and further to clarify these duties, responsibilities, and relationships, the following regulations are adopted by the Board of Governors:

I. Definition of “Senior Academic and Administrative Officers” (SAAO)

A. Senior officers of the University of North Carolina who are subject to the provisions of Section II of this policy are designated as Tier I SAAO. This group includes the president [N.C.G.S. § 116-14(a)]; the vice presidents and other members of the president’s professional staff designated by the Board of Governors on recommendation of the president [N.C.G.S. § 116-14(b)]; the chancellors of the constituent institutions [N.C.G.S. § 116-11(4)]; the vice chancellors, provosts, and deans¹ of the constituent institutions, and the directors of major administrative, educational, research and public services activities of the constituent institutions designated by the Board of Governors [N.C.G.S. § 116-11(5)].

B. Other senior officers of the University of North Carolina who are subject to the provisions of Section III of this policy are designated as Tier II SAAOs. This includes (1) members of the president’s professional staff other than those identified in subparagraph A, above [N.C.G.S. § 116-14(b)]; and (2) associate and assistant vice chancellors; associate and assistant deans ; and other administrative positions within the constituent institutions, other than those identified in subparagraph A above, that have been designated by the president. [N.C.G.S. § 116-11(5)].²

II. Tier I Senior Academic and Administrative Officers of the University of North Carolina as Defined in Section I.A., above, Shall be Subject to the Following Regulations.

A. Appointments and Discontinuation of Appointments

1. Tier I SAAOs are employed in their administrative positions pursuant to this policy. Except with regard to the appointment of the president and the chancellors, no contract or other writing (except for *The Code*) may vary these terms, nor may any oral agreement modify these provisions. The appointments of these Tier I SAAOs are subject to the approval of the Board of Governors or a board of trustees delegated such authority

¹Deans at the North Carolina School of Science and Mathematics fall within Section I.B. of this Policy.

²Other officers include (a) members of the chancellor’s professional staff; (b) those responsible for the administrative direction of separately designated divisions or departments of institutional activity commonly associated with institutions of higher education; (c) those positions whose primary responsibility is to attract external funds for and/or market the University; and, (d) other officers holding positions characterized by active, continuing involvement in formulating, interpreting, and implementing institutional policy and exercising substantial independence of administrative authority and discretion in areas such as program planning and design and allocation of resources.

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by the Board of Governors.³ Such officers do not have tenure in their administrative positions. Except for the president and the chancellors, they serve at the discretion of their employer and are not appointed to serve for specified periods of time. The continuance of these administrators in office therefore is at all times subject to determination by the appropriate authority, as follows:

a. The president's continuance in office is determined by the Board of Governors.

b. The continuance in office of members of the president's professional staff is determined by the president.

c. The continuance in office of the chancellor of a constituent institution is determined by the Board of Governors, which may act to terminate such an appointment upon its own initiative or upon recommendation of the president. The Board of Governors in all instances shall consult the appropriate chair of the board of trustees prior to terminating the appointment of a chancellor. The president may place a chancellor on temporary leave, with or without pay, if the president has reason to believe that illness, injury, misconduct, neglect of duty, or other circumstances may interfere with the chancellor's performance of the duties of the position. Before placing a chancellor on temporary leave, the president shall consult with the chair of the Board of Governors, the chair of the Committee on Personnel and Tenure, and the appropriate chair of the board of trustees.

d. The continuance in office of vice chancellors, provosts, deans, and directors of major educational, research and public services activities of the constituent institutions shall be determined by the chancellor of the institution.

e. Notwithstanding the provisions of (b) and (d) above, the Board of Governors, in accordance with the provisions of Section 501B(6) of *The Code*, reserves the right to initiate action to terminate appointment of those officers when it deems such action to be necessary in the best interests of the University.

2. Tier I SAAOs of a constituent institution are subject to the direction and control of the chancellor and serve at the chancellor's discretion. They are employees at will; thus, the chancellor may not purport to confer on any such officer a period of employment of fixed duration or otherwise confer any property interest in such employment. However, such an officer may be appointed to a period of employment not to exceed a specified number of years, so long as the instrument accomplishing such an appointment states clearly that the incumbent officer is subject to removal at any time, during that period, at the option of the chancellor.

³Pursuant to NCGS § 116-11(13), and notwithstanding *The Code* or any other policy, the Board of Governors has delegated certain authorities to the president of the University. See Policy 200.6, *Delegation Authority to the President of the University*, adopted 11/13/06.

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3. Tenure status as a member of the faculty of a constituent institution, held concurrently by any Tier I SAAO of the University is separate and distinct from the administrative office, and such tenure status is governed by the provisions of Chapter VI of *The Code* and by the tenure policies of the relevant constituent institution. Those tenure policies have no bearing upon and do not govern the administrative appointments covered by this policy.

4. Appointment of ~~chancellors~~the President

a. The Board of Governors shall elect a president in accordance with N.C.G.S §116-14(a), Section 500A of *The Code*, and any policies it adopts. The Board of Governors shall approve the salary and compensation of the president.

b. The Board of Governors may approve a contract with the president. The contract may specify terms including, but not limited to, the president's term of employment; salary; benefits; performance-based incentives; other deferred or supplemental compensation, including endowment-funded stipends; provisions for the termination of the president's employment, including severance pay and retreat rights; and any other terms it agrees upon.

c. In all other regards, the employment of the president is subject to *The Code*, the Policies of the Board of Governors, and the North Carolina General Statutes.

5. Appointment of Chancellors

a. The appointment of chancellors shall be made by the Board of Governors upon the recommendation of the president, in accordance with N.C.G.S § 116-11(4). All salary and non-salary compensation paid to or received by the chancellors in connection with their service as chancellors shall be approved by the Board of Governors upon recommendation of the president.

b. The Board of Governors may approve a contract with a chancellor as recommended by the president. The contract may specify terms including, but not limited to, the chancellor's term of employment; salary; benefits; and; performance-based incentives; other deferred or supplemental compensation, including endowment-funded stipends; provisions for the termination of the chancellor's employment, including severance pay and retreat rights; and any other terms recommended by the president it agrees upon.

c. In all other regards, the employment of chancellors is subject to *The Code*, the Policies of the Board of Governors, and the North Carolina General Statutes.

d. Except as specifically otherwise provided in the contract, and except as provided in paragraph II.A.1(c) of this policy, after the Board of Governors has

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approved a contract with a chancellor, it will be the sole responsibility of the president to implement the terms of the contract.

B. Compensation

The compensation of Tier I SAAOs shall be set by the Board of Governors or a board of trustees delegated such authority by the Board of Governors.⁴

No president, chancellor, or other Tier I SAAO may be paid, in addition to his or her salary compensation as established pursuant to the foregoing requirements, for any services rendered to any institution-related foundation, endowment, or other entity that was established by officers of the University, that is controlled by the University, or that is tax exempt based on being a support organization for the University, without the express approval of the Board of Governors. This provision does not prohibit any institution-related foundation, endowment, or other entity that was established by officers of the University, that is controlled by the University, or that is tax exempt based on being a support organization for the University from providing some of the funds to support the Board of Governors' approved compensation of the president, chancellor, or other Tier I SAAO.

C. Equal Employment Opportunity

It is the policy and intention of the University of North Carolina that there be equal employment opportunity and freedom from unlawful discrimination in all employment within the University, as set out in Section 103 of *The Code*.⁵ Employment in a Tier I SAAO position shall be conducted in accordance with all provisions of State or federal law or regulation prohibiting any such discrimination, and in accordance with applicable affirmative action plans.

D. Political Activity

Employment in Tier I SAAO positions shall not be adversely affected by the exercise of rights guaranteed by the First Amendment of the United States Constitution or by Article I of the North Carolina Constitution; provided, that employees in Tier I SAAO positions shall be subject to any limitations on political activity established by Article 5 of N.C.G.S. Chapter 126. The Board of Governors' policies concerning political activity, Policy ~~§§~~ 300.5 *et seq.*, as they may be revised from time to time, shall apply to Tier I SAAO positions covered by this policy.

E. Holiday and Leave Entitlement Holidays

1. Holidays

A Tier I SAAO shall be subject to the same State-prescribed holidays given employees subject to the State Personnel Act.

⁴See Footnote 3, above.

⁵Bona fide occupational qualifications or other exceptions to those general prohibitions, specifically provided for by State or federal law, may be applied to positions covered by this policy.

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2. Annual Leave

a. Basic Leave Policy

A permanent full-time (1.00 FTE) Tier I SAAO shall be entitled to accrue 26 workdays of annual leave per year.⁶ Annual leave is accrued at a monthly rate and is adjusted proportionately for permanent part-time employees who work halftime or more (.50 - .99 FTE). The monthly earnings amount is equal to one-twelfth (1/12th) of the annual rate for each month the employee works or is on approved leave with pay. Monthly leave is earned when an employee works or is on approved leave with pay at least half the working days of a month.

The maximum number of unused days of annual leave that may be carried forward from one year to the next shall be 30 workdays. Annual leave in excess of 30 days will be automatically converted to sick leave at the end of the year.

b. Transfer of Accrued Annual Leave

An employing institution must establish campus-wide uniform guidelines regarding the transfer of accrued annual leave from a UNC constituent institution or State or local governmental agency whose leave is currently transferable in accordance with the policy prescribed for employees subject to the State Personnel Human Resources Act. Upon discontinuation of employment from the employing institution, the employee may either elect a payout of accrued annual leave (*see d.*, below) or transfer the remaining balance of any unused annual leave to another State or local governmental agency, subject to the receiving agency's approval.

c. Advancement of Annual Leave

Subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of leave that can be accrued during the remainder of the year or during a twelve-month period. If an employee separates from the employing institution and has taken more annual leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

⁶ For the purposes of determining leave under this policy, "year" shall be defined by the employing institution as either a "fiscal year" (July 1 – June 30) or a "calendar year" (January 1 – December 31). Institutions currently defining a "year" as a "contract year" may continue to do so.

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d. Payout of Accrued Annual Leave

A Tier I SAAO who has accrued unused annual leave upon discontinuation of employment from the employing institution and who either does not elect or is not eligible to transfer such accrued leave to another State or local governmental agency, shall be paid for such unused annual leave subject to a maximum of 30 such days. Each institution shall establish guidelines for payout of leave if a change in employment status occurs and such employee is no longer covered by this policy.

3. Sick leave, family and medical Leave, family illness leave, civil leave, military leave, community service leave, and special annual leave bonus

A Tier I SAAO shall be entitled to such sick leave, family and medical leave, family illness leave, civil leave, military leave, community service leave, and special annual leave bonus as may be prescribed for employees subject to the State Human Resources Act.

However, with respect to sick leave, subject to institutional policy and approval by the employee's supervisor, a Tier I SAAO may be advanced the amount of sick leave that can be accrued during the remainder of the year or during a twelve-month period. If the employee separates from the employing institution and has taken more sick leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

4. Miscellaneous Leaves of Absence

A Tier I SAAO who desires a leave of absence for an interval of 90 days or less must obtain the approval of the president, who shall report all such arrangements to the Board of Governors. A leave of absence for a period exceeding 90 days shall require the approval of the Board of Governors.

5. Voluntary Shared Leave

A Tier I SAAO shall be subject to the same provisions concerning shared leave as are applicable to employees subject to the State Personnel Act with the exception that the donation and acceptance of such leave shall be computed on the basis of days rather than hours.

F. Educational Entitlement

A Tier I SAAO is entitled to the same opportunities as other University employees to invoke the privilege of tuition waiver conferred by UNC Policy 1000.2.2.

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G. Statutory and Other Rules of Employment

1. Privacy of Personnel Records

A Tier I SAAO enjoys the protections of and is subject to the provisions of Article 7 of N.C.G.S. 126, entitled, "The Privacy of State Employee Personnel Records."

2. Employment Preference for Veterans

A Tier I SAAO enjoys the protections of and is subject to the provisions of N.C.G.S. §§ 128-15, which provide for preference in employment for veterans of United States military service and their spouses and widows or widowers.

3. Employment of Related Persons

A Tier I SAAO is subject to the Board of Governors' policy concerning employment of related persons, Policy §300.4.2, as it may be revised from time to time, and any associated guidelines.

H. Retirement

A Tier I SAAO may retire in accordance with the provisions of Chapter 135 of the North Carolina General Statutes.

III. Tier II Senior Academic and Administrative Officers of the University of North Carolina as Defined in Section I.B., above, Shall be Subject to the Following Regulations

A. Appointments

1. Tier II SAAOs are employed in their administrative positions pursuant to this policy. The authority to make appointments and determine salaries for positions within Section I.B.-(1) is exercised by the Board of Governors, on recommendation of the president, or a board of trustees delegated such authority by the Board of Governors; for positions within Section I.B.-(2), such authority is delegated by the Board of Governors to the chancellors and the respective Boards of Trustees of the constituent institutions.

2. Every Tier II SAAO appointment within a constituent institution covered by this policy shall be made by the chancellor, or the chancellor's delegate, by means of a letter of appointment that fulfills the requirements of this Section III.

3. Every letter of appointment to a Tier II SAAO position shall include:

- a. The title of the position;
- b. The initial salary;

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- c. A provision for the periodic review of compensation;⁷
- d. A provision consistent with Sections III.A.4., and III.A.5., below, if contingencies based on availability of funding are applicable;
- e. The annual leave entitlement of the employee;
- f. Notice that the employment conferred is an “employment at will” subject to continuation or discontinuation at the discretion of the president or of the chancellor, with the exception of contracts or letters of appointment of directors of athletics, which may be for a term of years and are governed by Policy 1100.3; and
- g. Notice that the employment is subject to this policy as originally adopted and as it may be periodically revised from time to time, and a copy of the policies shall be attached to the letter of appointment.

4. When a Tier II SAAO position is funded in whole or substantial part from sources other than continuing State budget funds or permanent trust accounts, the letter of appointment shall state that continuation of the employee’s service in that position is contingent upon the continuing availability of funds from such other sources to support that position, shall specify the source of such funds, and shall state that the effect of such contingency may apply without the additional notice otherwise required by Sections III.B.1., III.B.2., and III.B.3.; provided, that the affected employee shall be informed at the earliest practicable date of the occurrence of such a funding contingency.

5. When a Tier II SAAO is to serve simultaneously in both a position covered by this policy and a position of University employment not covered by this policy, with the result that two different prescriptions may appear to obtain with respect to a particular condition of employment or a right or responsibility of the employee, one position shall be designated the base position to determine the conditions of employment and the rights and responsibilities of the employee. If appointment to a position covered by this policy occurs subsequent to an appointment to a position not covered by this policy, the letter of appointment to the position covered by this policy shall embody the required designation of base employment; conversely, if appointment to a position covered by this policy precedes appointment to the other category of University employment, the letter of appointment or contract establishing the second employment shall embody the required designation of base employment. In either case, the designation of base employment shall specifically describe the different rights, duties, and compensation for each position and the relationship, if any, between the two positions.

⁷Subject to any compensation policies adopted by the Board of Governors or the board of trustees.

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Any funding contingency of the type referred to in Section III.A.4., shall be set forth separately for the position covered by this policy and for the other position, since the operation of any such contingencies may be independent.

When an appointment to a Tier II SAAO position is to be accompanied by appointment to a faculty position that is intended to be nominal or honorary, or to create a faculty affiliation not entailing significant duties or compensation, the term "adjunct," or similar nomenclature, shall be used to identify the faculty appointment.

B. Discontinuation of Employment

1. Discontinuation of Appointment, with Notice or Severance Pay

Employment within a Tier II SAAO position that is established by the letter of appointment to be an employment at will is subject to discontinuation at any time at the discretion, respectively, of the president or of the chancellor; provided, that such a discontinuation (as distinguished from discharge for cause, Section III.B.4.) shall be subject to advance timely notice of discontinuation or the payment of severance pay, in calendar days, as follows:

- a. During the first year of service, not less than 30 days notice prior to discontinuation of employment or the payment of severance pay for 30 days;
- b. During the second and third years of service, not less than 60 days notice prior to discontinuation of employment or the payment of severance pay for 60 days; and
- c. During the fourth and all subsequent years of continuous service, not less than 90 days notice prior to discontinuation of employment or the payment of severance pay for 90 calendar days.

The chancellor or the president may provide the employee with a combination of notice and severance pay that totals the respective required number of days. The determination of whether the employee shall receive notice of discontinuance of the appointment or severance pay or a combination of the two shall be in the sole discretion of the respective chancellor or the president.

2. Expiration of Term Appointment

Employment within a Tier II SAAO position that is established by the letter of appointment dated prior to December 1, 2004, to be for a stated definite term expires automatically at the conclusion of the stated term; such an appointment may be extended at the option of the employing institution on an employment at will basis, by written notice satisfying the requirements of Section III.A.

If the employing institution intends not to extend the employment, (a) with respect to a term of one year or less, no notice of intent not to extend shall be required; (b) with respect to a term of more than one year but less than four years, notices of intent

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| Amended 08/11/00 | Amended 02/08/08 |
| Amended 10/17/08 | Amended 06/20/14 |
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not to extend shall be transmitted in writing at least 60 days prior to this expiration date of the term; (c) with respect to a term of four years or more, notice of intent not to extend shall be transmitted in writing at least 90 days prior to the expiration date of the term. Failure to provide written notices as required in subsections b. and c., above, shall result in the automatic extension of employment for a period, respectively, of either 60 days or 90 days, beyond the date the notice is given to the employee.

3. Termination of Employment Because of Financial Exigency or Program Curtailment or Elimination

Employment within a Tier II SAAO position that is established by the letter of appointment to be for a stated definite term may be terminated prior to expiration of the stated term because of (a) demonstrable, bona fide institutional financial exigency, or (b) major curtailment or elimination of a program.

“Financial exigency” is defined to mean a significant decline in financial resources of the University that compels a reduction in the university’s or the institution’s budget. The determination of whether a condition of financial exigency exists or whether there shall be a major curtailment or an elimination of a program shall be made, respectively, by the president or by the chancellor, with advance notice to and approval by the Board of Governors.

If the financial exigency or curtailment or elimination of a program is such that the contractual obligation to an employee within a position covered by this policy cannot be met, the employment of the individual may be terminated, subject to the following notice requirements:

- a. During the first year of service, not less than 30 days notice prior to termination;
- b. During the second and third years of employment, not less than 60 days notice prior to termination; and
- c. During the fourth and all subsequent years of service, not less than 90 days notice prior to termination.

4. Discharge for Cause

Any Tier II SAAO may be discharged for stated cause.

Discharge for cause is to be distinguished from discontinuation with notice (Section III.B.1.), automatic expiration of term (Section III.B.2.), and termination because of financial exigency or program curtailment or elimination (Section III.B.3.). Stated causes for discharge shall include, but not necessarily be limited to, incompetence, unsatisfactory performance, neglect of duty, or misconduct that interferes with the capacity of the employee to perform effectively the requirements of his or her employment. Discharge for cause is to be preceded by written notice of intent to discharge and is subject to invocation by the affected employee of the review procedures

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of Section III.C., of this policy. When an employee occupying a position covered by this policy has been notified of the intention to discharge for cause, the president or chancellor, as applicable, may suspend the employment at any time and continue the suspension until the president's or chancellor's decision concerning discharge has been reached; such suspension during this time period shall be with full pay. If the final university decision is to discharge the employee, then the employee may be discharged without further pay without regard to whether there is an appeal to a board of trustees or the Board of Governors in accordance with Section 611 of *The Code*. No provision of this Policy 300.1.1 shall be interpreted to extend an employee's right to pay beyond the expiration of the employee's term of appointment while an appeal is pending under this policy.

C. Reviews

1. General Administration and each constituent institution respectively shall adopt and publicize procedures applicable to relevant cohorts of employees, under which covered employees may secure review of decisions concerning discharge for cause or other disciplinary action, or review concerning the interpretation and application of any provision of this policy; provided, however, that reviews concerning discontinuations, expiration of term appointments, or terminations of employment with notice, pursuant to Sections III.B.1, III.B.2., and III.B.3, may be brought only upon allegations of violations of applicable notice requirements or violations of any provision of Section III.D. or III.E., of this policy.

2. Decisions reached pursuant to such review procedures concerning the discontinuation, expiration of term appointment, termination, or discharge for cause may be appealed in accordance with the provisions of Section 611 of *The Code*.

D. Equal Employment Opportunity

It is the policy and intention of the University of North Carolina that there be equal employment opportunity and freedom from unlawful discrimination in all employment within the University, as set out in Section 103 of *The Code*.⁸ Employment in a Tier II SAAO position shall be conducted in accordance with all provisions of State or federal law or regulation prohibiting any such discrimination, and in accordance with applicable affirmative action plans.

E. Protected Activity

Employment in Tier II SAAO positions shall not be adversely affected by the exercise of rights guaranteed by the First Amendment of the United States Constitution or by Article I of the North Carolina Constitution; provided, that employees in Tier II SAAO positions shall be subject to any limitations on political activity established by Article 5 of N.C.G.S. Chapter 126. The Board

⁸Bona fide occupational qualifications or other exceptions to those general prohibitions, specifically provided for by State or federal law, may be applied to positions covered by this policy.

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of Governors' policies concerning political activity, Policy §300.5.1., *et seq.* as they may be revised from time to time, shall apply to Tier II SAAO positions covered by those policies.

F. Holiday and Leave Entitlement

1. Holidays

Employees in Tier II SAAO positions shall be subject to the same State-prescribed holidays given employees subject to the State Personnel Act.

2. Annual Leave⁹

a. Basic Leave Policy

A permanent full-time (1.00 FTE) Tier II SAAO shall be entitled to accrue 24 workdays of annual leave per year. Annual leave is accrued at a monthly rate and is adjusted proportionately for permanent part-time employees who work halftime or more (.50 - .99 FTE). The monthly earnings amount is equal to one-twelfth (1/12th) of the annual rate for each month the employee works or is on approved leave with pay. Monthly leave is earned when an employee works or is on approved leave with pay at least half the working days of a month.

An employing institution shall define a year as either "fiscal year" (July 1 - June 30) or "calendar year" (January 1 - December 31). (Note: Employing institutions that have previously defined a year as "contract year" may continue to do so.) The scheduling of an employee's annual leave shall be subject to the approval of the employee's supervisor. With respect to an incumbent employee who is earning more than 24 days per year as of the date this policy becomes effective, such employee shall be entitled to continue to earn leave at the current rate.

The maximum number of unused days of annual leave that may be carried forward from one year to the next shall be 30 workdays. Annual leave in excess of 30 days will be automatically converted to sick leave at the end of the year.

b. Transfer of Accrued Annual Leave

An employing institution must establish campus-wide uniform guidelines regarding the transfer of accrued annual leave from a UNC constituent institution or State or local governmental agency whose leave is currently

⁹ Effective July 1, 2001.

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transferable in accordance with the policy prescribed for employees subject to the State Personnel Act [see State Personnel Manual, Section 5-1]. Upon discontinuation of employment from the employing institution, the employee may either elect a payout of accrued annual leave (see (d), below) or transfer the remaining balance of any unused annual leave to another State or local governmental agency, subject to the receiving agency's approval.

c. Advancement of Annual Leave

Subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of leave that can be accrued during the remainder of the year or during a twelve-month period. If an employee separates from the employing institution and has taken more annual leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

d. Payout of Accrued Annual Leave

A Tier II SAAO who has accrued unused annual leave upon discontinuation of employment from the employing institution and who either does not elect or is not eligible to transfer such accrued leave to another State or local governmental agency, shall be paid for such unused annual leave. The amount paid to an employee who has been employed an aggregate of 24 months or less by one or more State or local governmental agencies is equal to one day for each month worked less the number of days of annual leave taken during the employment period. An employee who has been employed for more than 24 months shall be paid subject to a maximum of 30 such days. Each institution shall establish guidelines for payout of leave if a change in employment status occurs and such employee is no longer covered by this policy.

3. Sick Leave, Family and Medical Leave, Family Illness Leave, Civil Leave, Military Leave, Community Service Leave and Special Annual Leave Bonus

Tier II SAAOs shall be entitled to such sick leave, family and medical leave, family illness leave, civil leave, military leave, community service leave, and special annual leave bonus as may be prescribed for employees subject to the State Human Resources Act.

However with respect to sick leave, subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of sick leave that can be accrued during the remainder of the year or during a twelve-month period. If the employee separates from the employing institution and has taken more sick leave than has been accrued, the employing institution must determine the amount of leave that the employee must repay to the institution and make deductions from the employee's final salary check accordingly.

4. Leave of Absence without Pay

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Tier II SAAOs may request a leave of absence without pay, subject to approval of such leave by the president or by the chancellor, as applicable.

5. Voluntary Shared Leave

Tier II SAAOs shall be subject to the same provisions concerning shared leave as are applicable to employees subject to the State Personnel Act with the exception that the donation and acceptance of such leave shall be computed on the basis of days rather than hours.

G. Educational Entitlement

Tier II SAAOs are entitled to the same opportunities as other University employees to invoke the privilege of tuition waiver conferred by UNC Policy 1000.2.2.

H. Statutory and Other Rules of Employment

1. Privacy of Personnel Records

Tier II SAAOs enjoy the protections of and are subject to the provisions of Article 7 of N.C.G.S. 126, entitled, "The Privacy of State Employee Personnel Records."

2. Employment Preference for Veterans

Tier II SAAOs enjoy the protections of and are subject to the provisions of N.C.G.S. § 128-15, which provide for preference in employment for veterans of United States military service and their spouses and widows or widowers.

3. Employment of Related Persons

Tier II SAAOs are subject to the Board of Governors' policy concerning employment of related persons, Policy 300.4.2, as it may be revised from time to time, and any associated guidelines.

I. Retirement

Tier II SAAOs may retire in accordance with the provisions of Chapter 135 of the North Carolina General Statutes.