



TRANSMITTAL LETTER

Transmittal #162

January 29, 2026

Policy Manual Number	Title	Action
<u>300.2.14</u>	Policy on Non-Salary and Deferred Compensation	Amended 1/29/26 <i>Redline version attached</i>
<u>300.2.22</u>	Policy on Leave Programs for Faculty and Staff Exempt from the North Carolina Human Resources Act	Amended 1/29/26 <i>Redline version attached</i>

The actions taken on the above Policies were reviewed and approved by the Board of Governors for inclusion in the UNC Policy Manual following the January 2026 Board of Governors meetings.

The entire UNC Policy Manual is accessible at: <https://www.northcarolina.edu/apps/policy/index.php>

Policy on Non-Salary and Deferred Compensation

I. Non-salary Compensation

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

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

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

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

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

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

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

1. A sign-on bonus may not exceed the lesser of \$25,000 or 20 percent of the annualized base salary of the new position without seeking the approval of the president or the president's designee.
2. A retention bonus may not exceed the lesser of \$25,000 or 20 percent of the employee's current base salary without seeking the approval of the president or the president's designee.
3. Performance-based bonus compensation awarded through this policy in a single fiscal year that exceeds 20 percent of an individual employee's current base salary and \$50,000 must receive approval from the president and the Committee on University Personnel of the Board of Governors.
4. An employee may receive either a sign-on bonus or a retention bonus, but not both, within any 24-month period. The award of performance-based bonus compensation shall be administered independently from any sign-on or retention bonus program and shall be tied to an annual performance review for non-faculty employees and to the provisions of a written incentive compensation plan for covered faculty. Performance-based pay for clinical faculty is subject to the relevant approved clinical incentive pay plans and is exempt from these provisions. When applicable, and in accordance with Executive Retirement Plan documents, performance-based bonus awards for Plan-eligible employees may be directed to an executive retirement plan administered by the UNC System Office, in lieu of a cash payment.
5. The boards of trustees may delegate authority to approve sign-on, retention, and/or performance-based bonuses to the chancellor and/or chancellor's designee(s) with the exclusion of such bonuses for SAAOs, which may not be delegated. For employees of the UNC System Office, the president has authority to approve sign-on, retention, and performance-based bonuses, including such bonuses for SAAOs and EPS employees.
6. Institutions may establish rules to require an employee to pay back all or part of sign-on or retention bonus payments already received if the employee separates from the institution fewer than 12 months after payment of the bonus award.
7. Bonuses may be provided using either state funds or non-state funds. For state funds, such use must be permissible under the policies of OSBM.

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

II. Delayed or Deferred Salary/Compensation

- A. The State of North Carolina and the University of North Carolina System offer employees options for deferred compensation and insurance. Unless expressly approved by the Board of Governors, constituent institutions and the UNC System Office may not provide any other employer-paid options for deferred compensation or other delayed compensation to its employees.
- B. For purposes of this policy, delayed and deferred salary or compensation shall be broadly defined to include, but are not limited to, any employer payment or contribution paid (1) directly to an employee, (2) to the employee's account or plan, or (3) to a person acting in a capacity similar to a trustee for the employee, which is paid later than the regular or next subsequent payment cycle, except for an error that is promptly corrected upon discovery. Delayed and deferred salary/compensation also includes traditional 457 deferred compensation plans, any retirement plans or accounts, annuities, and life insurance accumulating any cash value. Delayed and deferred compensation also include both tax qualified and non-qualified plans, and any other similar form of payment, whether tax sheltered or not.

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

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

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

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

III. Non-Salary or Deferred Compensation of Chancellors and President. Other than a state-provided car or a car of comparable value, a chancellor's or the president's residence as provided for in Section 300.1.5 of the UNC Policy Manual, Occupation of Official Residences of the Chancellors and the President, work related club memberships, reimbursement of moving expenses upon initial employment as a chancellor or president, and benefits uniformly provided to all employees exempt from the North Carolina Human Resources Act, only the Board of Governors may approve non- salary or deferred compensation for a chancellor or the president. The funding source for non-salary compensation for a chancellor or the president, other than that specified in this paragraph, shall not be state funds, but an exception may be approved by the Board of Governors. Club memberships may never be paid using State funds.

IV. Employees Exempt from this Policy. Members of faculty medical practice plans, such as physicians, dentists, and veterinarians, are exempt from this policy. Athletic directors and head coaches remain subject to Section 1100.3 of the UNC Policy Manual and are exempt from this policy.

V. Review and Approval. Campus policies on non-salary and delayed/deferred salary/compensation must be submitted as a part of the campus request for management flexibility to appoint and fix compensation. Campuses already granted management flexibility in personnel shall submit their policies to the UNC System Office for review. Subsequent changes to the policies must be submitted for review by the UNC System Office prior to submission to the campus board of trustees for approval. In some cases, policies with extensive revisions will be reconsidered by the Committee on University Personnel of the Board of Governors.

VI. Other Matters

A. Effective Date. The requirements of this policy shall be effective on the date of adoption of this policy by the Board of Governors.

B. Relation to State Laws. This policy is meant to supplement, and does not purport to supplant or modify, those statutory enactments which may govern or relate to the subject matter of this policy.

C. Regulations and Guidelines. This policy shall be implemented and applied in accordance with such regulations and guidelines as may be adopted from time to time by the president.

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

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

Leave Programs for Faculty and Staff Exempt from the North Carolina Human Resources Act

I. Holidays and Leave Entitlement

A. Holidays. Employees covered under this Policy shall be subject to the same State-prescribed paid holidays given to employees subject to the North Carolina Human Resources Act (SHRA).

B. Annual Leave

1. Eligibility. The following employees are eligible under this policy for Annual Leave:

a. All permanent Senior Academic and Administrative Officers (SAAO) or Exempt Professional Staff (EPS) with appointments made before the effective date of the Personal Leave program established in I.C. below;

b. For employees covered in B.1.a. above, new SAAO and EPS appointments within the employee's same institution that are effective on or after the effective date of the Personal Leave program established in I.C. below; and

c. Employees who were in a position subject to the North Carolina Human Resources Act and who subsequently transfer or convert to an SAAO or EPS appointment within the same institution, provided the employee's original hire date at the institution was before the effective date of the Personal Leave program established in I.C. below.

2. Annual Accrual. A permanent full-time employee (1.00 FTE) in a position covered by this policy shall be entitled to accrue ~~twenty-four~~(24) workdays per year for Exempt Professional Staff and ~~twenty-six~~(26) workdays per year for Senior Academic and Administrative Officers.

3. Accrual Rate. Annual Leave is accrued at a monthly rate and is adjusted proportionately for permanent part-time employees who work halftime or more (0.50 - 0.99 FTE) as well as for permanent employees who are on a contract period of less than one year. The monthly accrual amount is equal to one-twelfth of the annual accrual. Monthly leave is earned when an employee works or is on approved paid leave at least half the working days of a month.

4. Leave Year Defined. An employing institution shall define a year as either "fiscal year" (July 1 - June 30) or "calendar year" (January 1 - December 31). Employing institutions that have previously defined a year as "contract year" may continue to do so.

5. Exception for Prior Higher Accrual Rate. With respect to an incumbent employee who earns more than ~~twenty-four~~(24) days of Annual Leave per year as of the date that this policy becomes effective, or as of the date that an employee accepts a position subject to this policy, such employee shall be entitled to continue to earn leave at their current rate.

6. Annual Carryforward of Leave. The maximum number of unused days of Annual Leave that may be carried forward from one year to the next shall be ~~thirty~~(30) workdays. Annual Leave in excess of ~~thirty~~(30) workdays will be automatically converted to sick leave at the end of the calendar year.

7. Scheduling Leave. The scheduling of an employee's Annual Leave shall be subject to the approval of the employee's supervisor.

8. 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 defined leave year. 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.

9. Transfer and payout of accrued Annual Leave. For new appointments within the same employing institution that are subject to this policy, all Annual Leave will transfer to the new appointment. Upon discontinuation of employment from the employing institution, or upon transfer to a position not subject to this policy, the employee's Annual Leave balance shall be paid out, up to a maximum of ~~thirty~~(30) workdays (pro-rated for part-time employees).

10. No employee may accrue both Personal Leave and Annual Leave simultaneously.

C. Personal Leave. The president shall set regulations for a Personal Leave program containing the following elements to be effective at a date determined by the president but no sooner than July 1, 2024.

1. Eligibility.

a. All permanent Senior Academic and Administrative Officers (SAAO) and Exempt Professional Staff (EPS) with appointments on or after the effective date determined by the president.

b. Faculty with 12-month appointments effective on or after the effective date determined by the president.

c. The president shall set regulations for employees holding an SAAO or EPS appointment who are eligible to accrue Annual Leave (as provided in Section I.B above) to make an irrevocable election to join the Personal Leave program and end Annual Leave accruals. Employees making this irrevocable election may:

(1) receive a payout of their accrued Annual Leave, up to a maximum of thirty (30) workdays (pro-rated for part-time employees), either at the time of, or subsequent to, their irrevocable election, with approval from their employing institution, or

(2) retain up to a maximum of ~~thirty~~ (30) workdays (pro-rated for part-time employees) of accrued Annual Leave while they remain employed at that institution in a position subject to this policy. Upon the employee's discontinuation from employment, transfer to another institution, or transfer to a position not subject to this policy, then the employee shall receive a payout of the retained accrued Annual Leave, at the pay rate as of the time of the discontinuation or transfer. Any retained Annual Leave must be tracked separately from accrued Personal Leave.

Any Annual Leave in excess of ~~thirty~~ (30) workdays under either option is forfeited.

2. Annual Accrual. A permanent full-time employee (1.00 FTE) in a position covered by this regulation shall be entitled to accrue ~~twenty-six~~ (26) workdays per year.

3. Accrual Rate. Personal Leave is accrued at a monthly rate and is adjusted proportionately for permanent part-time employees who work halftime or more (0.50 - 0.99 FTE) as well as for permanent employees who are on contract for less than one year. The monthly earnings amount is equal to one-twelfth of the annual rate. Monthly leave is earned when an employee works or is on approved paid leave at least half the working days of a month.

4. Leave Year Defined. The ~~President~~President shall define a leave year cycle for this program.

5. Annual Carryforward of Leave. Employees may carry forward a maximum of ~~twenty~~ (20 days) of Personal Leave into the next defined leave year. Any excess leave expires at the end of the defined leave year and does not convert to sick leave.

6. Scheduling Leave. The scheduling of an employee's Annual Leave shall be subject to the approval of the employee's supervisor.

7. Advancement of Personal Leave. Subject to institutional policy and approval by the employee's supervisor, an employee may be advanced the amount of Personal Leave that can be accrued during the remainder of the defined leave year. If an employee separates from the employing institution and has taken more Personal Leave than has been accrued, the employing institution must determine the amount of Personal Leave that the employee must repay to the institution and make deductions from the employee's final paycheck accordingly.

8. Transfer of accrued Personal Leave.

- a. If an employee receives a new appointment to a position subject to this policy and within the same employing institution, then all Personal Leave will transfer to the new appointment. Any Annual Leave retained pursuant to Section C.1.c(2) of this Policy will transfer to the new appointment.
- b. If an employee transfers to another UNC constituent institution in a position subject to this policy, then up to a maximum of ~~twenty~~(20) days of Personal Leave shall transfer to the new institution, and any excess leave shall be forfeited. Any Annual Leave retained pursuant to Section C.1.c(2) of this Policy shall be paid out.
- c. If an employee otherwise discontinues employment, all Personal Leave shall be forfeited. Any Annual Leave retained pursuant to Section C.1.c(2) of this Policy shall be paid out.

9. No employee may accrue both Personal Leave and Annual Leave simultaneously.

D. Sick Leave. All permanent Senior Academic and Administrative Officers (SAAO), Exempt Professional Staff (EPS), and faculty with 12-month appointments are eligible for sick leave in the same manner as provided to state employees subject to the North Carolina Human Resources Act.

E. D. Other Leave Programs.

1. Employees in positions covered by Other Leave Programs for employees subject to this policy. The president shall be subject to the same policies concerning sick leave, family and medical leave, paid parental leave, family illness leave, civil leave, military leave, community service leave, special annual leave bonus, personal observance leave, and any issue regulations to provide for other leave program as may be prescribed for employees subject to the North Carolina Human Resources Act or as otherwise provided by university policy or regulation.

2. 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 12-month period. If an 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 paycheck accordingly, programs as necessary, including those similarly available.

E. Leave of Absence Without Pay. SAAO and EPS employees covered under this Policy may request a leave of absence without pay. Granting such a request shall be at the discretion of the employee's supervisor and subject to such institutional procedures as adopted by the chancellor or president (or their designees).

~~F. Voluntary Shared Leave. SAAO and EPS employees covered under this Policy shall be subject to the same provisions concerning shared leave as are applicable to employees subject to the North Carolina Human Resources 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 Leave. Employees in covered positions are entitled to the same opportunities as other University employees to invoke the privilege of tuition waiver conferred by Section 1000.2.2 of the UNC Policy Manual.~~

~~H. Faculty Military Leave. The Uniformed Services Employment and Reemployment Rights Act (USERRA) of 1994 and North Carolina General Statute 127A-116 specify the employment and reinstatement rights of employees called to involuntary active duty in the Uniformed Services. Each constituent institution shall adopt policies and regulations in accordance with federal and state law and consistent with provisions established in this policy. (Military leave for other EHRA employees is addressed in paragraph D. above.)~~

~~1. Definition of Faculty. "Faculty" means faculty who are appointed for nine months or more and work halftime (50% FTE) or more and who are not designated as a Senior Academic and Administrative Officer or as Exempt Professional Staff as defined by Section 300.1.1 of the UNC Policy Manual. This leave program shall apply to any faculty member called into active military duty status on or after September 1, 2001.~~

~~2. Salary. In accordance with federal and state laws, the Board of Governors directs that for each period of involuntary service, a faculty member who is involuntarily called to or as required by State or Federal active military duty shall receive up to thirty (30) calendar days of pay.~~

~~a. For periods in excess of thirty (30) days, the faculty member shall be entitled to receive differential pay for any period of involuntary service. Differential pay is the difference between military basic pay and the faculty member's regular university earnings for that period of time, if military pay is the lesser. If a faculty member is subject to a term contract, the pay or differential will be limited to the term of the contract.~~

~~b. Upon return to the University, the faculty member's salary shall be reinstated and shall include applicable legislative salary increase and/or cost of living adjustments (if any) that were awarded while the faculty member was on military leave. Merit pay or bonuses shall also be awarded upon reinstatement if the faculty member received a performance evaluation for at least one semester during the academic year and would have otherwise been eligible to receive a merit increase or bonus.~~

~~3. Benefits. During the period of active military duty, whether receiving full pay, differential pay, or no pay from the university, a faculty member shall not incur any loss of benefits accorded to other faculty who are on a leave of absence. A faculty member covered under an institution's Annual Leave, Personal Leave, and/or Sick Leave policies shall continue to accumulate Annual Leave, Personal Leave, and/or Sick Leave during the period of active duty for use upon return to the University.~~

4. Reappointment, tenure, and promotion. In advance of leaving work to perform military duty, a faculty member may initiate a request, consistent with institutional policy, for an extension of the time during which an institutional decision must be made regarding reappointment, tenure, or promotion.

5. Other types of military leave. For faculty, institutional policies should be consistent with the military leave policy for employees subject to the North Carolina Human Resources Act providing for:

a. Up to a maximum of 120 hours of military leave with pay each Federal fiscal year (October-September) for members of the uniformed services for active duty training and inactive duty training;

b. Up to a maximum of 120 hours of military leave with pay during any calendar year, for members of the Civil Air Patrol while performing missions or encampments for the U.S. Air Force or emergency missions for the State at the request of the Governor or the Secretary, Department of Crime Control and Public Safety;

c. Up to 120 hours of military leave with pay during any calendar year for members of the State Defense Militia when called up by the Governor for infrequent special activities in the interest of the State, usually not exceeding one day, and State duty for missions related to disasters, search and rescue, etc.;

d. Military leave with pay for a required physical examination relating to membership in the uniformed services; and,

e. Military leave without pay for all uniformed service duty that is not covered by military leave with pay.

6. Notice: Institutions must ensure that all faculty members receive information about their rights under this policy and USERRA.

G. Other Paid Leave Programs for Faculty.

1. Community Service and Parental Leave. Faculty in permanent appointments working half time or more (0.50 FTE) who otherwise do not accrue leave are eligible for paid community service leave and paid parental leave under same policies and regulations as may be prescribed for employees subject to the North Carolina Human Resources Act unless otherwise provided by university policy or regulation.

2. Serious Illness and Disability Leave. Each constituent institution must establish a written Serious Illness and Disability Leave for Faculty policy to provide a period of leave for faculty in cases of extraordinary illness, major disability, or for parental purposes. Nine-month faculty at UNC institutions do not accrue sick leave. However, institutions should anticipate situations in which faculty members, because of serious illness,

~~disability, or family responsibilities, will be unable to perform their duties for an extended period.~~

- ~~a. Under the federal Family and Medical Leave Act (FMLA), employees are eligible to take paid or unpaid leave up to a total of 12 weeks per year. The North Carolina Family Illness Leave Act allows for up to 52 weeks of leave without pay during a five year period in cases of serious illness of a child, spouse, or parent. The North Carolina Paid Parental Leave Policy provides up to four weeks of paid leave for the recuperation from giving birth and up to four weeks of paid leave for the bonding period with a newborn child or newly adopted, foster, or otherwise legally placed child. UNC constituent institutions must establish written leave policies for faculty that can be coordinated with these policies and with the North Carolina Disability Income Plan.~~
- ~~b. Serious illness and disability leave policies will apply to faculty members who do not accrue sick leave and are eligible to participate in the N.C. Teachers' and State Employees' Retirement System or the UNC Optional Retirement Program.~~
- ~~c. Individuals employed at the North Carolina School of Science and Mathematics pursuant to its Regulations on Faculty Employment who work at least 75% of full time earn sick leave are not subject to this Policy Law.~~

II. Implementation. The board of trustees of each constituent institution shall adopt for the institution personnel policies for covered positions within the institution that are consistent with all provisions of these policies. Any proposed provision in an institutional policy statement that in any manner adds to or modifies the provisions of these policies must be submitted for review and approved by the president prior to its adoption and implementation.

III. Other Matters

- A. Effective Date. The requirements of this policy shall be effective on the date of adoption of this policy by the Board of Governors.
- B. Relation to State Laws. This policy is meant to supplement, and does not purport to supplant or modify, those statutory enactments which may govern or relate to the subject matter of this policy.
- C. Regulations and Guidelines. This policy shall be implemented and applied in accordance with such regulations and guidelines as may be adopted from time to time by the president.