



TRANSMITTAL LETTER

The University of North Carolina
Board of Governors

NUMBER: 15

DATE: July 18, 2002

SUBJECT:

Distinguished Professors Endowment Trust Fund, Policy # 600.2.3

Granting of Management Flexibility to Appoint and Fix Compensation, Policy # 600.3.4

This transmittal letter distributes the above-named policies that were amended by the Board of Governors on 7/12/02.

Please contact Gretchen Bataille, Senior Vice President for Academic Affairs, at 919-962-4614, if you have questions regarding either policy.

DISTINGUISHED PROFESSORS ENDOWMENT TRUST FUND

The Board of Governors received from the 1985 Session an appropriation of \$4 million (\$2 million in fiscal year 1985-86 and an additional \$2 million in fiscal year 1986-87) for the purpose of establishing "a Distinguished Professors Endowment Trust Fund to be maintained by the Board [of Governors] to provide challenge grants to the constituent institutions" (Chapter 757, 1985 Session Laws, Sec. 202; N.C.G.S. § 116-41.13-41.19). In 1995, the North Carolina General Assembly amended the statute that authorized the trust fund, to make clear that distinguished professorships could be awarded to either current faculty or newly hired faculty (Chapter 507, 1995 Session Laws, Sec. 15.12; N.C.G.S. § 116-41.18).

Consistent with the terms and conditions set out in the legislation, the Board of Governors of the University of North Carolina hereby enacts the following rules and regulations for administering the Board of Governors' Distinguished Professors Endowment Trust Fund (hereafter "the Trust Fund").

I. General

1. All funds appropriated for the Trust Fund shall be held by the Board of Governors, in accordance with N.C.G.S. § 116-36.6.
2. Matching funds shall be allocated by the Board of Governors to the constituent institutions from the Trust Fund in accordance with the schedule set out in Section II., below, and subject to all requirements and conditions in these regulations being met by the institutions that apply for allocations.

II. Schedule of Allocations

1. The sum of \$2,338,000 appropriated for the Trust Fund shall be available to fund 14 challenge grants, each in the amount of \$167,000, and each for the purpose of creating of \$500,000 endowment for a distinguished professorship in each constituent institution of the University of North Carolina, except North Carolina State University at Raleigh and the University of North Carolina at Chapel Hill.
2. The sum of \$668,000 appropriated for the Trust Fund shall be available to fund two challenge grants, each in the amount of \$334,000, and each for the purpose of creating a \$1,000,000 endowment for a distinguished professorship, one at North Carolina State University at Raleigh and one at the University of North Carolina at Chapel Hill; however, the Boards of Trustees of North Carolina State University at Raleigh and of the University of North Carolina at Chapel Hill may elect that one \$167,000 challenge grant be held in reserve for them, in lieu of the \$334,000 reserve provided for above, and in the event either or both make this election, then the balance of the \$334,000 reserve shall be added to the general reserve established in II.3., below.
3. The balance of the \$4,000,000 appropriation, plus all accrued interest shall be available to fund additional challenge grants in the amounts specified in II.1. and 2., or to increase a \$167,000 challenge grant made pursuant to II.1. to a \$334,000 grant to enable the creation of a \$1,000,000 endowment to any institution, upon proper application.

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4. This schedule of allocations shall continue in effect until February 1, 1987. By that date the Board of Governors shall receive the recommendation of the Committee on Personnel and Tenure, on the basis of availability of funds and after a review of the operation of the schedule until that date, to continue this schedule or to adopt an alternative schedule.

III. Requirements for Private Contributions

1. An institutional board of trustees, to be eligible for an allocation from the Board of Governors under the schedule set forth herein, shall establish a Distinguished Professors Endowment Fund (hereafter "Endowment Fund") to be administered in accordance with N.C.G.S. § 116-36, and to that Endowment Fund shall be deposited private contributions received for this purpose, together with the challenge grant from the Trust Fund.
2. Private contributions to this Endowment Fund must be given or pledged specifically for the purposes of the Trust Fund, and only contributions received after July 1, 1985, may be credited to the special Endowment Fund of the institution.
3. To qualify for a challenge grant from the Trust Fund in the amount of \$334,000, the institution shall have \$666,000 in donations and interest in its Endowment Fund; and to qualify for a \$167,000 challenge grant the institution shall have \$333,000 in donations and interest.
4. The appropriate challenge grant amount (\$334,000 or \$167,000) may be placed in escrow in the Trust Fund for an institution that has in its Endowment Fund \$111,000 or \$55,500, respectively, and written pledges of additional private contributions in the amount of \$555,000 or \$227,500, as appropriate; provided, that each payment or aggregate payments on this balance shall be no less than the amount of the initial payment or payments and shall be made on or before the anniversary date of the initial payment or payments and the full amount shall be paid within five years of the initial payment or payments. When the full amount (\$666,000 or \$333,000) is in the Endowment Fund, the challenge grant shall be paid from the Trust Fund.

IV. Procedures for Establishing Endowed Chairs

1. At the time an institutional board of trustees establishes the Endowment Fund required in Section III, the chancellor shall prepare a plan for the establishment of the endowed chair or chairs contemplated. This plan shall be submitted to the President for review and approval. No challenge grant shall be made in the absence of an approved plan. The plan shall describe:
 - a. the number of chairs contemplated;
 - b. the general level of salary and other benefits and perquisites, and the amounts to be supported annually by the income from the Endowment Fund;
 - c. the academic department or other unit to which it is anticipated that the chair or chairs will be assigned; and

- d. whether the chair will be filled by an external or internal appointment (or either). Institutions are encouraged to consider plans for external appointments who will constitute distinguished additions to the faculty; and
 - e. the expected benefits to the institution.
- 2. The Board of Trustees may name the endowed chair or chairs in honor of a donor, benefactor, or other person or organization.
- 3. The selection of each distinguished professor to hold an endowed chair shall be made in the following way:
 - a. The selection and appointment procedures followed shall be fully consistent with the institution's tenure policies and regulations and other applicable personnel policies;
 - b. The distinguished professor shall be appointed at the rank of professor¹, and the appointment shall be subject to approval by the Board of Governors at those institutions not designated as Special Responsibility Constituent Institutions with Management Flexibility.
 - c. The academic discipline to which the person is appointed shall be one of major importance to the educational program of the institution; and
 - d. The person appointed shall have a record of outstanding accomplishment in that discipline or field as a teacher and scholar or practitioner.
- 4. When a vacancy occurs in an endowed chair established with the Endowment Fund, the chancellor shall consult with the institutional board of trustees. The chancellor shall there after recommend to the President any amendments to the approved plan or shall recommend continuation of the plan without amendment. Upon approval of the plan by the President, selection and appointment of the new distinguished professor shall then proceed in accordance with these regulations.

¹ At the North Carolina School of the Arts other appropriate rank shall be conferred.

GRANTING OF MANAGEMENT FLEXIBILITY TO APPOINT AND FIX COMPENSATION

A. Purpose

Pursuant to the provisions of Chapter 116 of the General Statutes of North Carolina and in an effort to enhance the administrative efficiency of the University, the Board of Governors hereby delegates to the Boards of Trustees for institutions designated as Special Responsibility Constituent Institutions with management flexibility the authority to administer personnel actions as described in this policy. The authority granted by the Board of Governors is subject to the *Code* of the University of North Carolina, policies of the Board of Governors and all applicable federal and state laws, policies, regulations, and rules. This provision requires each Special Responsibility Constituent Institution to comply with, along with other rules, all rules and regulations concerning equal employment opportunity, to act in recognition of funding availability and constraints within each institution's budget, and to take into account the actions of the Governor, the Office of State Budget and Management, and the General Assembly.

B. Institutional Plans For Management Flexibility For Personnel Appointments

The Board of Governors shall review and approve plans for management flexibility for personnel appointments. Upon approval the Board of Trustees of a Special Responsibility Constituent Institution¹ shall have the authority delegated by this policy. An institutional plan shall include the following:

1. Policies and procedures for the recruitment and selection of senior academic and administrative officers. A campus policy for promotion and tenure² that complies with the *Code* of the University of North Carolina and current federal law, provides for periodic pre-tenure, tenure and promotion review at multiple levels, and provides clear requirements for promotion and the conferral of permanent tenure.
2. A schedule and process for periodic review of promotion and tenure policies and a process for amending promotion and tenure policies that includes a review by the Office of the President.
3. Salary ranges, based on relevant data, for vice chancellors, provosts, deans, and other similarly situated administrators³ that are not included in the annual Board of Governors' study establishing salary ranges.
4. Evidence of comprehensive salary studies that establish salary ranges for tenured faculty within different disciplines based on relevant data.⁴

¹ In order for an institution to have management flexibility for personnel appointments, the institution must be designated and maintain the status of a Special Responsibility Constituent Institution.

² As applied to the North Carolina School of the Arts, the terms "tenure policy" or "policy for promotion and tenure," as used herein, refer to the institution's policy governing the appointment of faculty.

³ This would include directors of major administrative, educational, research, and public service activities.

⁴ When used in this policy, the phrase "relevant data" indicates that the institution shall draw comparisons to peer institutions as approved by the Board of Governors. Data from peer institutions will be used when available except in

5. Policies governing the compensation of faculty and non-faculty EPA (exempt from the State Personnel Act) from non-state sources such as grants, endowment funds, practice plan funds, etc.
6. Policies governing any non-salary compensation of faculty and non-faculty EPA.
7. Documentation that the campus has not had audit findings related to personnel practices, salary or payroll for the previous three years or evidence that any findings have been remedied.
8. Evidence of appropriate accountability procedures in the event that the Board of Trustees delegates the authority granted pursuant to this policy to the chancellor.

C. Delegation of Authority to Boards of Trustees of Institutions With Management Flexibility

1. Simultaneous with approval by the Board of Governors of an institution's plan for management flexibility in personnel, the Board of Trustees of an institution with management flexibility is delegated the authority, which it may not delegate until further action by the Board of Governors, to:⁵
 - a. Upon recommendation of the chancellor, appoint⁶ and fix the salary and non-salary compensation⁷ for all vice chancellors and senior academic and administrative officers (as defined in Section I.A. of policy 300.1.1 titled "Senior Academic and Administrative Officers") for which the Board of Governors establishes salary ranges. Any salary set by the Board of Trustees shall be established consistent with the salary ranges and the policies of the Board of Governors and the regulations and guidelines established by the Office of the President. Once appointed, all vice chancellors and senior academic and administrative officers will be responsible to the chancellor or the chancellor's designee and will serve at the pleasure of the chancellor.
 - b. Upon recommendation of the chancellor, establish salary ranges for deans and other similarly situated administrators that are not included in the annual Board of Governors' study establishing salary ranges. These salary ranges must be based upon available relevant data.

instances in which a campus can demonstrate legitimate labor market differences that justify the use of a supplemental or alternative set of peer institutions.

⁵ The delegation authorized by this policy is in addition to the delegation by the Board of Governors to the Boards of Trustees contained in the Appendix to the *Code of the University of North Carolina*.

⁶ For the purpose of this policy the term "appoint" means the initial appointment, reappointment, or an appointment that constitutes a promotion or a significant change in position responsibilities.

⁷ Throughout this policy, all actions of a Board of Trustees of a Special Responsibility Constituent Institution to "fix the compensation" of employees are subject to the limitations contained in Section D of this policy, the policies of the Board of Governors, guidelines and regulations established by the Office of the President, and institutional plans, policies and procedures.

- c. Upon recommendation of the chancellor, to review and approve “retreat rights” of vice chancellors and provosts. (“Retreat rights” describes the conditions of employment should the administrator leave his/her position and generally applies to those administrators with tenured faculty positions.)
- d. Upon recommendation of the chancellor and consistent with the approved tenure policies and regulations of each institution, confer permanent tenure.

2. Simultaneous with approval by the Board of Governors of an institution’s plan for management flexibility in personnel, upon recommendation of the chancellor and consistent with the approved tenure policies and regulations of each institution, the Board of Trustees is delegated the authority set forth below. Any of the authority set forth below may be delegated to the chancellor.

- a. Establish salary ranges within different disciplines based on relevant data, and fix the compensation for faculty with permanent tenure;
- b. Appoint and fix the compensation for faculty awarded the designation of Distinguished Professors.
- c. Appoint and fix salary and non-salary compensation of deans and other similarly situated administrators that are not included in the annual Board of Governors’ study establishing salary ranges. These salary ranges must be based upon available relevant data. The compensation shall be consistent with established ranges, equity studies, and relevant policies, regulations, and guidelines.
- d. Award compensation from non-state sources consistent with policies established by the Board of Governors.

3. The Board of Trustees of each institution with management flexibility:

- a. Shall, prior to the effective date of implementation, file with the Office of the President the salary ranges and relevant documentation for the administrators for whom the campus has authority for setting ranges or salaries. Such documentation shall be based on relevant data.⁸
- b. Shall provide an annual summary to the Board of Governors on personnel actions covered by this delegation. That annual report shall include information regarding:
 - i. The EPA appointments of all:
 - a. vice chancellors and provosts

⁸ See footnote 4.

- b. senior academic and administrative officers for which the Board of Governors establishes salary ranges
 - c. deans, and other similarly-situated administrators
 - ii. The conferral of tenure;
 - iii. The salary and non-salary compensation for all positions listed in subpart C.(3)(b)(i) above;
 - iv. The most recent analysis of equity issues relevant to the employment of faculty and administrators;
 - v. Audit findings related to weaknesses in the internal control structure, deficiencies in the accounting records, and noncompliance with rules and regulations or any other instances where significant findings are identified. The report should specifically detail any findings regarding personnel practices, salary or payroll for the previous year and remedial action taken in response to audit findings.
- c. Shall submit to the Board of Governors for review, at least 30 days prior to a regularly scheduled meeting, all new or modified compensation policies and salary ranges established for faculty with permanent tenure and senior academic and administrative officer positions.

D. Responsibility of the Board of Governors and the President

1. In consultation with the President, the Board of Governors shall:

- a. Issue a resolution each year interpreting legislative action regarding salaries. Annually set salary ranges for chancellors, vice chancellors, and members of the Office of the President senior staff. These ranges will be based upon relevant available data.
- b. Establish the salary range of any new vice chancellors. Any significant changes in the organizational structure of a constituent institution, such as re-organization resulting in the creation of a new vice-chancellor, dean or equivalent administrative position, shall be approved by the President.
- c. Annually review the salaries set by the medical schools at the University of North Carolina at Chapel Hill and East Carolina University to ensure that the salaries are coordinated and are consistent with relevant data in a national medical labor market.
- d. Review and approve proposed salary increases in instances in which the salary of any employee exempt from the State Personnel Act or faculty member exceeds the established salary range or exceeds by fifteen percent or more the salary in effect at the end of the last fiscal year.⁹

⁹ Except to current employees appointed to a new position after a competitive process or to current employees promoted to higher rank consistent with campus policies or conversion from nine (9) months to a longer annual term.