

General Administration

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Constituent Universities

Appalachian
State University

East Carolina
University

Elizabeth City
State University

Fayetteville State
University

North Carolina
Agricultural and
Technical State
University

North Carolina
Central University

North Carolina
State University
at Raleigh

University of
North Carolina
at Asheville

University of
North Carolina
at Chapel Hill

University of
North Carolina
at Charlotte

University of
North Carolina
at Greensboro

University of
North Carolina
at Pembroke

University of
North Carolina
at Wilmington

University of
North Carolina
School of the Arts

Western Carolina
University

Winston-Salem
State University

Constituent High School

North Carolina
School of Science
and Mathematics

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August 1, 2016

MEMO TO: *Chief Human Resources Officers and Chief Academic Officers*

SUBJECT: *Fiscal Year 2016-2017 EHRA Compensation Updates*

With the adoption of the new State Budget by the Legislature, we are pleased to share compensation-related updates for fiscal year 2016-2017. This includes instructions for a system-wide EHRA Legislative Increase, the EHRA faculty and non-faculty annual raise process (ARP) guidelines, and a brief update on EHRA salary increase/adjustment pre-approval procedures. Please note that salary ranges for Tier I and Tier II Senior Academic and Administrative Officers will not be revised this fiscal year, but will be updated in fiscal year 2017-2018.

EHRA Legislative Increase

HB 1030 (the 2016 Appropriations Act), provides a one and one-half percent (1.5%) legislative increase ("LI") effective July 1, 2016 for all eligible State employees subject to or exempt from the State Human Resources Act. The salaries in effect June 30, 2016 for eligible employees shall be increased by one and one-half percent (1.5%).

"Attachment A" contains a system-wide memo on the LI process for University Chief Human Resources Officers and Chief Financial Officers, with specific eligibility requirements and deadlines. Campus LIs should be processed by August 31, 2016, retroactive to July 1, 2016.

EHRA Annual Raise Process Instructions

At the Chancellor's discretion, each constituent institution may conduct an annual raise process (ARP) for EHRA faculty and EHRA non-faculty employees for the 2016-2017 fiscal year. All ARP increases will be retroactive to July 1, 2016, and implemented preferably by September 30, 2016, but no later than October 31, 2016. The total ARP permitted will not be allowed to exceed 8.5%, which, when considered cumulatively with the across-the-board 1.5% adjustment, presents a 10% cap on the combined ARP and LI adjustments.

"Attachment B" contains detailed instructions on the ARP process.

EHRA Salary Increase Pre-Authorization Requirements

At its meeting on July 29, 2016, the BOG increased the EHRA salary pre-authorization threshold for the President to 25% and \$25,000, in addition to the existing enhanced delegations for temporary salary adjustments and retentions. The President intends to extend up to 20% and \$15,000 of this authority to the Boards of Trustees of the constituent institutions, who in turn will have an opportunity to further delegate this authority to the Chancellors, at their option. This will mean only actions exceeding 25% and \$25,000 will require formal BOG pre-approval; and the President will review increases that exceed campus thresholds of 20% and \$15,000, up to an including 25% and \$25,000.

As a result of these changes, GA will be sharing updated salary pre-approval instructions for the constituent institutions within the next few weeks. **For the time being, please continue to use existing campus salary pre-authorization guidelines that are presently in effect.**

Questions

If you have questions on any of the items described in this memo, please contact Keith Dupuis for SHRA or EHRA non-faculty matters in GA Human Resources, or Mary Richardson for faculty matters in GA Human Resources.

Sincerely,



Dr. Junius Gonzales, Senior Vice President for Academic Affairs



Matthew S. Brody, Vice President for Human Resources

Attachments

Cc: President Margaret Spellings
Chancellors
UNC GA Senior Vice Presidents
Campus Chief Financial Officers

Attachment A

The University of North Carolina General Administration Fiscal Year 2016-17 Implementation of 1.5% LI for Employees Exempt from the State Human Resources Act (EHRA)

The 2016 General Assembly has ratified and Governor Pat McCrory has signed into law HB 1030 (2016 Appropriations Act), which provides a one and one-half percent (1.5%) legislative increase (LI) effective July 1, 2016 for all eligible State employees subject to or exempt from the State Human Resources Act. The salaries in effect June 30, 2016 for eligible employees shall be increased by one and one-half percent (1.5%).

Eligibility Requirements

- Any part-time permanent employee will receive a pro-rated increase. (Excludes EHRA Faculty entering Phased Retirement on July 1, 2016.)
- Employees above the maximum of their assigned salary range will receive the full increase to their base salary
- Increase does NOT apply to employees separated from state service prior to July 1, 2016 or to employees hired July 1, 2016 or later
- Employees are eligible for the increase without consideration of performance ratings or disciplinary actions
- Employees on approved leave of absence without pay receive the legislative increase upon reinstatement, if they meet the eligibility requirements

Salary Ranges

The current SAAO Tier I and Tier II ranges established by General Administration will not be updated by the 2016 LI.

Processing Instructions

The LI should be implemented no later than August 31, 2016 retroactive to July 1, 2016.

The LI is based on the June 30, 2016 base salary and must be applied before any other personnel action such as promotions or reallocations with the same July 1, 2016 effective date or later.

In the event a previous July 1, 2016 personnel action has already been implemented through payroll, then the 1.5% LI will be calculated on the June 30, 2016 base salary and added as a flat amount (not to be compounded) to the already-processed personnel action.

Also, please note that the 1.5% across-the-board LI adjustment will not be considered cumulative with the June 30 salary when evaluating future salary increases this fiscal year.

Budget Information for Chief Financial Officers

In accordance with Section 36.14. (b) of HB 1030, any eligible employee whose annual salary is paid partially from the General Fund or Highway Fund and partially from other sources shall receive a salary increase from the General or Highway Fund appropriation only to the extent of the proportionate part of the salaries paid from the General Fund or Highway Fund. Additionally, any eligible employee whose annual salary is paid fully from sources other than the General Fund or Highway Fund shall receive a salary increase. The Director of the Budget is authorized to increase expenditures of receipts from these sources by the amount necessary to provide the legislative increase to receipt-supported personnel in the certified budget.

Budget adjustments must be made for the 2016-2017 fiscal year to provide sufficient funds by budget subhead to pay the salary increases and state matching retirement and social security contributions. Funds from appropriations are not allowed to be used to provide salary increases or state matching retirement and social security contributions for persons employed under special funds or operations supported from receipts. The Office of State Budget and Management (OSBM) will issue a separate memorandum for guidance on budget adjustments.

- For questions concerning the eligibility requirements of the Legislative Increase, please contact Jessica Moore at jlmoore@northcarolina.edu or 919-843-9100.
- For questions about budget revisions or fiscal data should be directed to Lindsay McCollum at klmccollum@northcarolina.edu or your OSBM Budget Analyst.

Attachment B

The University of North Carolina General Administration Fiscal Year 2016-2017 Annual Raise Process (ARP) Instructions for Employees Exempt from the State Human Resources Act (EHRA)

Note: The legislative 1.5% across-the-board base salary increase and any one-time bonus payments provided for in the fiscal year 2016-2017 State Budget are implemented apart from the EHRA ARP. Please refer to Attachment A for instructions on the across-the-board 1.5% Legislative Increase. Instructions on any one-time bonus payments will be addressed at a later date, pending further guidance from the State.

Any constituent institution that conducts an ARP for Faculty and Non-Faculty Employees Exempt from the State Human Resources Act (EHRA) for fiscal year 2016-2017 must do so in accordance with the following instructions:

1. There is no mandatory requirement for a constituent institution to conduct an ARP process for its EHRA employees, apart from the required legislative increases. The ARP is an option decided at the discretion of the Chancellor.
2. The ARP increase shall be retroactive to July 1, 2016.
3. The ARP process shall apply to “permanent” or “regular” (typically benefits eligible) EHRA faculty and staff who were active in this employment status as of January 1, 2016 and remain in this status as of the first of the month that the ARP increase is paid; “non-permanent” or “temporary” EHRA faculty and staff are **not** eligible for this process.
4. All base salary adjustments awarded under the ARP process must come from existing campus-based resources; this differs from the legislative increases, which are accompanied by new appropriations for State-funded employees.
5. The ARP increase, if any, shall be awarded on an individual employee basis at management’s discretion. This shall not be considered an employee entitlement and under **no** circumstances may the ARP be implemented in an across-the-board fashion like the 1.5% legislative base salary increase.
6. The ARP increase, when awarded, will be based on the following criteria: individual meritorious performance, including teaching, service, publications, and/or research productivity for faculty, and retention of key or hard-to-recruit personnel. Secondary criteria that may be considered include equity and labor market.
7. The total of any ARP increase added to the 1.5% across-the-board legislative base salary increase for fiscal year 2016-2017 shall not result in a new salary that exceeds 10% of the employee’s June 30, 2016 base salary (that is, the employee receives a 1.5% LI and a maximum of 8.5% for the ARP).
8. The one-time 0.5% across-the-board bonus and any additional one-time merit bonus payments as set forth in the fiscal year 2016-2017 State Budget are not included in these calculations. Guidance will be provided on these at a later date.
9. Faculty rank promotions do **not** count toward the ARP cap.

10. ARP-related increases must be completed and receive all necessary approvals preferably by September 30, 2016, and in any case, **no later than October 31, 2016**. Any salary increase actions after that point must be processed on a current basis, per regular salary increase procedures. Constituent institutions should make all necessary technical and payroll arrangements to satisfy this deadline.
11. An ARP-related increase may not exceed an established EHRA salary range, unless GA has approved a specific salary range exception for purposes of the ARP. For campuses with management flexibility that have BOT-approved EHRA salary ranges for Tier II Senior Academic and Administrative Officers (SAAO), the ARP increase may not exceed any campus-based salary range unless the BOT approves an exception or has delegated authority to the Chancellor to grant such exceptions within prescribed limits.
12. Annual salary adjustments tied to BOT and/or BOG-approved faculty incentive pay plans or other special BOT/BOG-approved special compensation plans are exempt from the ARP guidelines and should follow the provisions of those plans.
13. Subject to any limitations imposed under the State Retirement System and the legislative appropriations process, faculty members who entered the Phased Retirement Program on July 1, 2016 are not eligible for an ARP salary increase; however, faculty members who entered the Phased Retirement Program in 2015 or prior years are eligible for salary increases and merit pay based on annual evaluations.
14. The ARP increase must be specifically included in the relevant quarterly salary increase report provided to UNC General Administration and such increases must be identified by a separate "ARP" salary increase reason. We will use the same quarterly code for fiscal year 2016-2017 as was used in the previous fiscal year: "12B – EHRA Annual Raise Process Increase." It is possible that we may also need to request a summary of ARP activity in advance of the quarterly reporting cycle if General Administration receives a time sensitive request for this information. We will avoid any extra reporting requirements to the greatest extent possible.