



To: Chief Human Resources Officers and Academic Human Resources Leads
Chief Academic Officers

From: Matthew S. Brody, Vice President for Human Resources 

Subject: Fiscal Year 2018-19 EHRA and SHRA Compensation Updates

Date: August 6, 2018

With the adoption of the new state budget by the North Carolina General Assembly and the approval of annual raise process (ARP) guidelines by the UNC Board of Governors, I wanted to share some important compensation-related updates for fiscal year 2018-19. First, I want to thank you and your teams in advance for assistance in carrying out these important and complex compensation processes. I recognize this requires significant effort by many individuals to implement. Secondly, as you review this memorandum, I want to encourage you and members of your team to please reach out to the points-of-contact shared at the end of this document for guidance and assistance. We are here to help in any way we can.

INSTRUCTIONS FOR FY 2018-19 ANNUAL RAISE PROCESS (ARP)

Each constituent institution is required to conduct an ARP process for both SHRA and EHRA employees in accordance with these instructions. The Board of Governors approved the allocation of state appropriations for compensation increases at the July Board meeting. The ARP process will be supported by these funds in combination with any non-General Fund appropriation budget resources determined by chancellors to be appropriate for a recurring annual salary adjustment.

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| EFFECTIVE DATE | All ARP increases shall be retroactive for all eligible faculty and staff with an effective date of July 1, 2018. |
| TIMING OF IMPLEMENTATION | The mandatory SHRA increases (2%) described below must be processed no later than September 30, 2018 . All discretionary SHRA and EHRA ARP increases described below should preferably be processed in one of the September payrolls, but no later than October 31, 2018 . |
| BASIC ELIGIBILITY REQUIREMENTS FOR ANY ARP INCREASE | Only individuals who have been a permanent (benefits-eligible) employee on or before January 5, 2018, and have an assigned 2018 final overall annual performance rating are eligible to receive an ARP increase. Those lacking this rating must wait until the next ARP cycle. ¹ The performance rating |

¹ SHRA employees must have worked at least six months under one or more performance plans during the performance cycle to be eligible for an annual appraisal. SHRA employees hired after October 1, 2017 who did not transfer from another state agency/university would not be eligible for an appraisal and therefore not eligible for an ARP salary increase. Those transferring from a state agency/university should have received a final overall rating either from the employee's former institution or with your institution, depending on the transfer date.

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| <p>BASIC ELIGIBILITY REQUIREMENTS CONT'D</p> | <p>requirement does not apply to EHRA Faculty or to other EHRA employees exempt from Section 300.2.18[R] of the UNC Policy Manual.²</p> <p>Employees must be active in payroll at time of ARP delivery to receive either the mandatory 2% SHRA increase or a discretionary SHRA or EHRA ARP increase. Also, any employee who has received notice of an EHRA end of at-will appointment or an SHRA reduction-in-force notice shall not be eligible for an ARP increase.</p> <p>Employees must be in “good standing” as of July 1, 2018 to receive the ARP. This means that an employee who has been given notice of termination for cause, has an active SHRA disciplinary action, has an active EHRA non-faculty performance improvement plan (or its institutional equivalent), or is a faculty member who has not received a satisfactory post-tenure review as of their latest review cycle is not eligible for an ARP increase.</p> |
| <p>GENERAL ARP PARAMETERS – ALL EMPLOYEE CATEGORIES</p> | <p>Specific ARP salary increase caps shall be implemented as described herein, and these caps shall be calculated using the employee’s June 30, 2018 base salary. Excluding faculty promotional increases, any salary increases already granted to an eligible employee between July 1, 2018 and the implementation of the ARP shall count toward the indicated caps.</p> <p>With the exception of the 2% mandatory increase for eligible SHRA employees, all other ARP increases shall not be considered an employee entitlement, shall not be issued automatically or across-the-board, and shall not exceed an established salary range.³</p> <p>Employees currently on disability who received a 2018 final overall performance rating may be eligible for an increase upon their return from disability in the event they satisfy all other criteria as set forth in the ARP instructions.</p> <p>Employees who were on extended leave (paid or unpaid) during the appraisal period and had worked for at least six months of the 2018 performance cycle may receive an annual performance appraisal when they return to work and would be eligible for the ARP in the event they satisfy all other criteria as set forth in these instructions.</p> |

² Employees exempted from the requirement of receiving an annual performance rating per Section 300.2.18[R] of the UNC Policy Manual include Faculty, EHRA senior administrators with concurrent tenured faculty appointments, Tier I Senior Academic and Administrative Officers, Athletics Directors, Coaches, and Post-Doctoral Scholars.

³ For institutions with management flexibility that have Board of Trustees (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.

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| <p>SHRA ARP PARAMETERS</p> | <p><u>Mandatory Increase:</u></p> <p>Eligible SHRA employees who received a final overall rating of at least “Meets Expectations” or higher on their 2018 annual performance appraisal shall receive a mandatory 2% base salary increase, calculated from the June 30, 2018 base salary, in addition to any other increase that may have been granted effective July 1, 2018 or later.</p> <p>SHRA employees who are paid with non-General Fund appropriations and are eligible for the ARP per these instructions <u>must</u> receive the 2% mandatory increase. An employee’s source of funds does not impact the implementation of this mandatory SHRA ARP component.</p> <p>SHRA employees who are not eligible for the mandatory 2% increase are also not eligible for any discretionary ARP increase.</p> <p><u>Discretionary Increase:</u></p> <p>Those eligible SHRA employees with a 2018 final overall performance rating of “Meets Expectations” may, but are not required, to receive an additional discretionary base salary increase of up to 0.50% (up to a total of 2.50% including the mandatory increase) in recognition of demonstrated meritorious performance.</p> <p>Eligible SHRA employees with a 2018 final overall performance rating of “Exceeds Expectations” may, but are not required, to receive up to an additional 2.99% (up to a total of 4.99% including the mandatory increase).</p> <p>Labor market and/or equity may be used as secondary factors to support the discretionary ARP increase amounts.</p> <p>For SHRA employees who receive their annual longevity payment for total state service anniversaries of July 1, 2018 or later, the longevity payment must be recalculated to include any ARP increase received by the employee, and the difference must be paid to the employee.</p> |
| <p>EHRA NON-FACULTY ARP PARAMETERS</p> | <p>Eligible EHRA non-faculty employees with a 2018 overall annual performance rating equivalent⁴ to “Meets Expectations” may receive a discretionary ARP increase of up to 2.50% in recognition of demonstrated meritorious performance.</p> <p>Eligible EHRA non-faculty employees with a 2018 overall annual performance rating equivalent⁴ to “Exceeds Expectations,” and employees who are exempted from receiving an annual performance rating per Section</p> |

⁴ Per Section 300.2.18[R] of the UNC Policy Manual, institutions may select any rating scale for their EHRA non-faculty performance evaluations; however, for reporting purposes, institutions must align their rating scales to an equivalent of the SHRA three-point scale (*does not meet*, *meets*, and *exceeds* expectations).

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| <p>EHRA NON-FACULTY ARP PARAMETERS CONT'D.</p> | <p>300.2.18[R] of the UNC Policy Manual² but who are otherwise in “good standing,” may receive a discretionary ARP increase up to 4.99% in recognition of demonstrated meritorious performance.</p> <p>Labor market and/or equity may be used as secondary factors to support the discretionary ARP increase amounts.</p> |
| <p>SPECIAL PRE-APPROVAL REQUIREMENT FOR TIER I SAAOs</p> | <p>With the exception of Academic Deans or Major Center Directors, proposed ARP increases at constituent institutions for any Tier I Senior Academic and Administrative Officers (e.g., Provost, Executive/Senior Vice Chancellors, Vice Chancellors) must be <u>pre-approved</u> by the President through System Office Human Resources in addition to any required Board of Trustees pre-approval prior to implementation. A special worksheet will be separately provided to the CHROs shortly to be used for this purpose.</p> |
| <p>EHRA FACULTY ARP PARAMETERS</p> | <p>EHRA Faculty may receive a discretionary ARP base salary increase of up to 4.99% based on demonstrated meritorious performance in teaching, service, publication, and/or research productivity.</p> <p>Labor market and/or equity may be used as secondary factors to support the discretionary ARP increase amounts.</p> <p>Subject to any limitations imposed under the State Retirement System, faculty members who entered Phased Retirement on July 1, 2018 are not eligible for a salary increase; however, faculty members who entered Phased Retirement in in 2017 or prior years are eligible for salary increases.</p> <p>As in past years, faculty rank promotions do not count toward the ARP cap. In the case of a faculty member who received a promotion-related base salary increase in the current fiscal year but prior to the ARP, the faculty member remains eligible for an ARP adjustment up to the indicated cap of 4.99%.</p> <p>Annual salary adjustments tied to BOT and/or BOG-approved faculty and clinical 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.</p> |
| <p>CHANCELLOR SALARY ADJUSTMENTS</p> | <p>The ARP instructions do not apply to Chancellors. These salary adjustments must be directed by the President and approved directly by the Board of Governors in accordance with Board policy.</p> |
| <p>ARP REPORTING TO THE BOARD OF GOVERNORS</p> | <p>The BOG’s Committee on Personnel and Tenure shall be provided summaries detailing all ARP salary adjustments itemized by each constituent institution and the UNC System Office at its next regularly scheduled meeting after January 31, 2019. Institutions will be required to submit a summary of these actions to the System Office via the quarterly salary reporting process.</p> |

IMPLEMENTATION OF NEW STATE SALARY MINIMUM OF \$31,200

The new state budget also established a new minimum annual salary amount for permanent state employees of \$31,200 (\$15.00/hour) effective July 1, 2018.

- All constituent institutions must implement this new salary minimum for all existing SHRA and EHRA permanent employees following the completion of ARP processing, retroactive to July 1, 2018. The sequence of this implementation is a requirement of the State Appropriations Act.
- Constituent institutions will be eligible for funding related to permanent UNC employees paid from state appropriations for this initiative from a separate state compensation increase reserve of \$15.3 million. The System Finance Office will provide additional information on allocations to UNC institutions from this fund once the State has determined its allocation process.
- The new state salary minimum requirement or funding from the state compensation increase reserve does not apply to temporary employees. However, Chancellors at their discretion may choose to adopt this minimum salary for temporary employees using available and permissible sources of funds. If an institution chooses to do this, there is no requirement that this be retroactive to July 1 or be implemented within any specific timeframe.
- All new job postings for permanent SHRA and EHRA position vacancies must include a minimum hiring salary of at least \$31,200 without exception. Any newly accomplished hires not yet in processing as of the receipt of this memorandum should be adjusted to the new state salary minimum. Any hires already processed should be adjusted with other existing affected employees as described above, retroactive to July 1, 2018.
- We do not yet know if the state allocation for implementation of this initiative will address vacant positions. The System Finance Office will provide additional information on allocations to UNC institutions once the State has determined its allocation process; however, this may not delay adjusting vacant position postings to the newly mandated state minimum salary.
- For SHRA employees who receive their annual longevity payment for total state service anniversaries of July 1, 2018 or later, the longevity payment must be recalculated to reflect the new minimum state salary, and the difference must be paid to the employee.
- Any SHRA or EHRA employee on an institution's disability payroll that had a salary below \$31,200 at the time they were approved for disability must have their base salary adjusted to at least \$31,200 and their monthly disability payments recalculated.

UPDATES REGARDING SHRA CAREER BANDING SALARY RANGES

The Office of State Human Resources (OSHR) has given preliminary verbal approval to the System Office for a 5% adjustment to all of our SHRA career-banded salary ranges as an initial incremental step to address market gaps that have accumulated over multiple fiscal years. The adjustment will cover the contributing, journey, and advanced market rates and maximum of each class. We do not yet know the exact timeline by which these changes will occur.

Once formal written approval is secured from OSHR, we will provide an updated list of career-banded salary ranges with implementation instructions and timelines. That document will also include any range adjustments necessitated by the new \$31,200 state salary minimum. We are sharing this information for planning purposes only, and this is not intended to be formally communicated or implemented at this time by constituent institutions until further instructions are issued by the System Office.

UPDATES TO EHRA SALARY RANGES

Although EHRA ranges are not traditionally updated during the second year of a fiscal biennium, System Office Human Resources is planning a mid-cycle review of Senior Academic and Administrative Officer Tier I and Tier II salary ranges due to the current market conditions. This will most likely not be a wholesale adjustment of these salary ranges, but rather applied only to any significantly impacted job titles. Any such updates will not be accomplished until after the ARP, so at present, you should continue to refer to currently published EHRA salary ranges.

SALARY PRE-APPROVAL GUIDELINES

As a reminder, all existing System Office and BOG salary pre-approval, consultation, and salary reporting procedures from Fiscal Year 2017-2018 remain fully in effect for Fiscal Year 2018-2019 without alteration. Matrices that summarize all of these requirements are available in the classification and compensation section of the UNC System Office Human Resources web site at:

http://old.northcarolina.edu/hr/unc/class_comp.htm

POINTS OF CONTACT FOR QUESTIONS

- For questions concerning ARP instructions for EHRA and/or SHRA employees, please contact Jessica Moore at jlmoore@northcarolina.edu or 919-843-9100.
- For questions concerning the BOG salary consultation or salary pre-approval processes, please contact Keith Dupuis at kedupuis@northcarolina.edu or 919-843-5479.
- For questions about salary-related budget allocations, please contact Lindsay McCollum Farling at klmccollum@northcarolina.edu or 919-962-4601.

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