



# THE UNIVERSITY OF NORTH CAROLINA SYSTEM

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## MEMORANDUM

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

**FROM:** Darryl Bass, Vice President for Human Resources & Chief Human Resources Officer 

**DATE:** July 21, 2022

**SUBJECT:** **Amended** Fiscal Year 2022-2023 Annual Raise Process Instructions and Compensation Updates

Following the enactment of the new state budget and having received further clarifications and guidance from the Offices of State Budget and Management (OSBM) and State Human Resources (OSHR), we have prepared the Annual Raise Process (ARP) instructions for both EHRA and SHRA University employees. **See highlighted areas for amended information.**

## INSTRUCTIONS FOR FY 2022-2023 ANNUAL RAISE PROCESS

Each constituent institution is required to conduct an Annual Raise Process (“ARP”) for both EHRA and SHRA employees in accordance with these instructions.

<b>OVERVIEW OF ARP COMPONENTS</b>	<ul style="list-style-type: none"><li>• The ARP process includes several possible components:<ul style="list-style-type: none"><li>○ A mandatory legislative base salary adjustment of 3.5% for <b>BOTH</b> SHRA and EHRA employees.</li><li>○ A discretionary labor market adjustment reserve (LMAR) salary action which shall be determined and implemented for a portion of the institution’s workforce pending receipt of final instructions from OSHR, which are expected within one week from the date of this memo. The LMAR adjustments are supported by a legislative allocation of approximately 1% of each institution’s state appropriated payroll. UNC System Office Finance will notify each constituent institution Chief Financial Officer of their exact LMAR allocation.</li><li>○ For EHRA employees, a discretionary one-time non-base salary bonus opportunity of up to 5% based on meritorious performance. This bonus opportunity is not supported by additional appropriated funds and must be funded by existing eligible campus funding sources.</li></ul></li></ul>
<b>EFFECTIVE DATE</b>	<ul style="list-style-type: none"><li>• The mandatory legislative increase will be effective on July 1, 2022.</li><li>• The effective date of LMAR-related salary adjustments will be confirmed once final guidance is received from OSHR and communicated to constituent institutions.</li></ul>

	<ul style="list-style-type: none"> <li>Any discretionary EHRA non-base salary bonus opportunity is one-time payment and delivered on a current basis.</li> </ul>
<p><b>IMPLEMENTATION TIMING</b></p>	<ul style="list-style-type: none"> <li>The mandatory legislative increase must be implemented by constituent institutions no later than <b>the August 2022 payrolls</b>.</li> <li>Specific implementation timing on any LMAR-related salary adjustments will be communicated as soon as the System Office receives further guidance from OSHR.</li> <li>Any discretionary non-base salary bonus opportunity for EHRA employees if paid in a single payment must be delivered no later than <b>December 31, 2022</b>. The institution may at its option make this bonus in multiple payments over the course of the fiscal year.</li> </ul>
<p><b>BASIC ELIGIBILITY REQUIREMENTS FOR ARP PARTICIPATION</b></p>	<ul style="list-style-type: none"> <li>Only individuals who were permanent part- or full-time benefits-eligible employees as of <b>June 30, 2022</b> and are active in payroll at the time of the applicable ARP component are eligible as indicated below.</li> <li>Employees eligible for the LI who are separating after June 30, 2022 but prior to the payroll implementation of the mandatory 3.5% LI are due a pro-rated retroactive LI payment. Constituent institutions would deliver this pro-rated amount in a lump sum payment as part of the employee's final paycheck unless some other lump sum payment option is determined.</li> <li>The mandatory legislative increase is awarded regardless of current performance ratings or the presence of any active disciplinary actions.</li> <li>The discretionary ARP components (e.g., LMAR or EHRA bonus opportunity) may only be delivered with the following criteria being met:             <ul style="list-style-type: none"> <li>For employees who have received a 2021-2022 performance review, the rating must be "Meets Expectations" or greater to qualify for any discretionary ARP increase.</li> <li>If an employee was not eligible to receive a 2021-2022 performance review due to start date (SHRA or EHRA non-faculty) or is an EHRA faculty or EHRA non-faculty employee exempt from Section 300.2.18[R] of the UNC Policy Manual<sup>1</sup>, the employee must be deemed in "good standing" by their Department Head to participate in any discretionary ARP increase.</li> <li>"Good standing" for ARP purposes means that an employee is not suspended with or without pay, does not have an active SHRA disciplinary action, is not in receipt of or planned to receive a notice of termination for cause, is not in receipt of an EHRA non-faculty performance improvement plan or written counseling memorandum (or its institutional equivalent), or in the case of faculty, has not received an unsatisfactory post-tenure review as of their latest review cycle.</li> </ul> </li> </ul>

<sup>1</sup> 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.

	<ul style="list-style-type: none"> <li>○ Failure to complete mandated institutional training may also be a consideration for ineligibility, at the institution’s discretion.</li> <li>● Any employee who has received notice of an EHRA end of at-will appointment or EHRA notice of non-reappointment is not eligible for any discretionary component of the ARP.</li> <li>● EHRA faculty subject to special clinical pay plans shall be excluded from the ARP process in its entirety and instead subject to the provisions of these plans with respect to annual compensation adjustments.</li> </ul>
<p><b>MANDATORY LEGISLATIVE BASE SALARY INCREASE AND RETROACTIVE LUMP-SUM PAYMENT</b></p>	<ul style="list-style-type: none"> <li>● <b>All EHRA faculty, EHRA non-faculty staff, and SHRA staff shall receive a 3.5% across-the-board mandatory base salary increase calculated against the June 30, 2022 base salary with a July 1, 2022 effective date.</b></li> <li>● This calculation for the mandatory legislative increase shall exclude any non-permanent administrative salary supplements in effect as of June 30, 2022, such as interim and acting appointments, temporary additional duties, or secondary administrative titles. Solely at the institution’s discretion, long-term EHRA salary supplements for individuals, such as Academic Department Heads/Chairs, may be included in this calculation if applied consistently across similarly situated groups of employees.</li> <li>● The mandatory legislative increase must be implemented even if it results in a new base salary that exceeds an established salary range.</li> <li>● Employees currently on disability or who are on a leave of absence (paid or unpaid) may be eligible for the mandatory legislative increase and retroactive lump-sum payment upon their return if they satisfy all other criteria as set forth in the ARP instructions.</li> </ul>
<p><b>DISCRETIONARY LABOR MARKET ADJUSTMENT RESERVE (LMAR)</b></p>	<ul style="list-style-type: none"> <li>● The General Assembly has appropriated approximately 1% of each constituent institution’s State funded salary base for use for discretionary labor market salary adjustments for selected SHRA and EHRA employees. These adjustments are intended to assist in addressing salary compression and other labor market needs which will equip the institution to better retain existing talent.</li> <li>● We strongly encourage all institutions to prioritize using the use of LMAR funds to address critical workforce needs among SHRA and EHRA non-faculty employees. The institution shall have discretion in identifying which employees shall receive LMAR-related adjustments based on identified labor market needs.</li> <li>● <b>We are awaiting final official guidance from OSHR on criteria for LMAR adjustments, but the following is a <u>preview for planning purposes only</u>. <b>DO NOT</b> proceed with or implement any LMAR-related adjustments at this time until we confirm final instructions from OSHR, which the System Office will then communicate in writing to all chief human resources officers.</b> <ul style="list-style-type: none"> <li>○ Any LMAR increase provided to an employee shall not exceed the greater of fifteen thousand dollars (\$15,000) or fifteen percent (15%) of their current base salary as of the effective date of the adjustment.</li> </ul> </li> </ul>

	<ul style="list-style-type: none"> <li>○ Any LMAR increase provided to an employee may not result in the employee's salary exceeding the maximum of the salary range associated with the position. An LMAR adjustment may be accomplished up to the salary range maximum at the discretion of management.</li> <li>○ No more than twenty-five percent (25%) of the agency's permanent employees may receive an LMAR salary increase from the funds appropriated for this purpose.</li> <li>○ LMAR Funds must be used to increase salaries paid to employees and shall not be used to supplant other funding sources or for any other purpose.</li> <li>○ Any LMAR adjustment that requires higher-level pre-approval under regular salary administration procedures from a BOT, the president, or the BOG must still obtain that approval.</li> <li>○ Only LMAR-related salary adjustments shall be used to address labor market needs in the ARP process. Otherwise, these adjustments should be addressed outside of the ARP process using regular University salary increase procedures.</li> </ul>
<p><b>EHRA NON-BASE SALARY ONE-TIME BONUS OPPORTUNITY</b></p>	<ul style="list-style-type: none"> <li>● Based on newly granted authorities by the Board of Governors, the President will soon be releasing a regulation that affords the opportunity for various non-base salary bonus opportunities for EHRA faculty and non-faculty employees including an annual performance-based opportunity.</li> <li>● For Fiscal Year 2022-23, this opportunity will be initiated as part of the ARP. As such, EHRA employees <u>eligible for the discretionary portion of the ARP</u> as described above may be considered for a one-time bonus opportunity not to exceed 5% of the June 30 base salary.</li> <li>● While the bonus opportunity is calculated against the June 30 base salary within the above noted limit, it does not impact base salary in any recurring manner.</li> <li>● The award of any bonus shall be awarded to recognize meritorious performance and to maximize the retention of high-performing talent.</li> <li>● Performance based bonuses are subject to retirement contributions to either the Teachers' and State Employee's Retirement System or the UNC Optional Retirement Program.</li> <li>● There is no automatic employee entitlement to this bonus opportunity, and it is granted at the discretion of management.</li> </ul>
<p><b>CHANCELLOR SALARY ADJUSTMENTS</b></p>	<ul style="list-style-type: none"> <li>● Chancellors shall receive the mandatory legislative salary increase but are not eligible for the discretionary component of the ARP process. Any additional chancellor compensation adjustments will be determined by the president and/or Board of Governors as applicable.</li> </ul>
<p><b>ARP AND SHRA ANNUAL LONGEVITY PAYMENTS</b></p>	<ul style="list-style-type: none"> <li>● For SHRA employees who receive their annual longevity payment for total state service anniversaries on or after July 1, 2022, the longevity payment must include the mandatory legislative increase.</li> </ul>

<p><b>SPECIAL PROVISIONS FOR FACULTY PARTICIPATING IN PHASED RETIREMENT</b></p>	<ul style="list-style-type: none"> <li>• 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, 2022, <u>are not</u> eligible for the mandatory legislative increase or any of the discretionary ARP increases.</li> <li>• Faculty members who entered the Phased Retirement Program in 2021 or prior years <u>are</u> eligible for the mandatory legislative increase and the discretionary ARP increases.</li> </ul>
<p><b>LAB SCHOOL EMPLOYEES</b></p>	<ul style="list-style-type: none"> <li>• The mandatory legislative increase as outlined in this document also applies to all UNC Laboratory School employees.</li> <li>• As of now, the System Office is not aware of any additional teacher base salary increases or bonuses that are likely to apply to UNC System Laboratory Schools employees based on current eligibility criteria. However, the System Office will continue to monitor this and if any additional adjustments should apply, a separate set of instructions will be issued to the affected constituent institutions.</li> </ul>
<p><b>TRANSFER EMPLOYEES</b></p>	<ul style="list-style-type: none"> <li>• Any SHRA employee who transfers with an effective date of July 1, 2022, or earlier is eligible to participate in the ARP process including receipt of the mandatory legislative increase.</li> </ul>
<p><b>TEMPORARY STAFF</b></p>	<ul style="list-style-type: none"> <li>• Although not required, wage increases may be provided to temporary SHRA and EHRA employees using available funds. Constituent institutions are encouraged to review temporary employee salaries given recent developments with inflation and other cost of living factors.</li> </ul>
<p><b>ARP REPORTING</b></p>	<ul style="list-style-type: none"> <li>• Institutions will be required to submit an accounting of all LMAR-related ARP actions to be provided to OSHR no later than <b>September 30, 2022</b>. The System Office will provide a template for this purpose as soon as it is made available by OSHR.</li> <li>• All ARP actions including LMAR-related adjustments will be required to be reported to the System Office via the established monthly salary reporting process. Special codes will be provided for this purpose. Please ensure that ARP actions are carefully tracked by each of the ARP component types to facilitate this required reporting.</li> </ul>

**UPDATES TO SHRA CAREER BANDING SALARY RANGES**

There are no updates to SHRA career banding salary ranges at present. The University is working in partnership with OSHR to convert from career banding to the statewide compensation system which will entail entirely new salary ranges. A timetable for this conversion is currently being developed. In the meantime, if you have a critical salary action during Fiscal Year 2022-23 that would place an SHRA employee over the maximum of their assigned salary range, please submit a salary range exception request to System Office Human Resources for consultation.

**UPDATES TO EHRA SALARY RANGES**

There are no updates to the dollar amounts of the EHRA salary ranges at present. The University has

engaged Buck Consultants to do a comprehensive update to all the non-faculty job classifications and associated salary ranges during calendar year 2022. The faculty salary ranges were just issued and will be refreshed as soon as new CUPA data becomes available.

Effective July 1, 2022, the EHRA IRIT, SAAO Tier I and Tier II, as well as the newly developed Faculty salary ranges will all utilize adjusted UNC System peer groups designated as follows -

Group 1a – UNC-CH

Group 1b – NCSU

Group 2 – ASU, ECU, UNCC, UNCG, UNCW, NC A&T

Group 3 – FSU, NCCU, UNCP, WCU, WSSU

Group 4 – ECSU, UNCA, NCSSM, UNCSA

The new groupings are informed not only by Carnegie classification, but now also consider other relevant UNC System institutional metrics such as graduate and undergraduate student headcounts, total budget, and campus research activity. Please note that while UNCSA and NCSSM are included in SAAO and IRIT ranges, they are not generally expected to utilize System-wide faculty ranges due to their unique academic nature.

All current EHRA salary ranges with revised UNC System peer groupings can be found on the UNC System Human Resources web site at:

<https://myapps.northcarolina.edu/hr/class-comp/ranges/>

#### **POINTS OF CONTACT FOR QUESTIONS**

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

cc: System Office Senior Officers  
Chancellors  
Chief Financial Officers  
Chief Academic Officers  
Chiefs of Staff