




To: Chief Human Resources Officers and Academic Human Resources Leads
From: Matthew S. Brody, Senior Vice President for Human Resources 
Subject: Fiscal Year 2021-2022 Annual Raise Process Instructions and Compensation Updates
Date: November 23, 2021 (**REVISED 12-13-2021**)

With the enactment of technical corrections to the 2021 Appropriations Act and further clarifications and guidance from the Offices of State Budget and Management (OSBM) and State Human Resources (OSHR), I have revised these Fiscal Year 2021-2022 Annual Raise Process (ARP) instructions for both EHRA and SHRA employees as well as other related updates. These instructions supersede the FY 2021-22 ARP Instructions issued by the System Office on November 23, 2021.

As you review this memorandum, I encourage you and members of your team to please reach out to the points of contact shared at the end of this document for any assistance you may require.

INSTRUCTIONS FOR FY 2021-2022 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.

OVERVIEW OF ARP COMPONENTS	<ul style="list-style-type: none">• The ARP process includes three possible components:<ul style="list-style-type: none">○ a mandatory legislative base salary increase (“mandatory legislative increase”) for both SHRA and EHRA employees, a portion of which will be paid as a retroactive lump-sum payment;○ a mandatory one-time legislative COVID-19 bonus (“COVID-19 bonuses”) for both SHRA and EHRA employees;○ a possible discretionary base salary adjustment (“discretionary ARP increase”) for SHRA and EHRA employees based on availability of funding and other factors noted in these instructions.• The mandatory legislative increase and COVID-19 bonuses apply to all covered employees who meet the eligibility requirements noted in these instructions <u>regardless of salary funding source</u>.• A major factor in deciding to grant any discretionary ARP increase is the availability of funding, since these actions are not supported by additional appropriated funds and must be funded by existing eligible campus funding sources.
EFFECTIVE DATE	<ul style="list-style-type: none">• The mandatory legislative increase shall be retroactive with an effective date of July 1, 2021. Payment of this increase for the period of July 1, 2021 through December 31, 2021 will be executed as a one-time lump-sum payment equivalent to the authorized mandatory legislative increase for that period.

	<ul style="list-style-type: none"> • The COVID-19 bonuses are effective December 1, 2021. • Any discretionary ARP increase, if granted, may only be issued on a current basis as of the time the increase is implemented in payroll. The only retroactive component of the ARP process is the 2.5% mandatory legislative increase as directed by the State Budget Act.
<p>IMPLEMENTATION TIMING</p>	<ul style="list-style-type: none"> • The mandatory legislative increase and the COVID-19 bonuses must be implemented no later than a January 2022 payroll. • To the extent feasible, the COVID-19 bonuses should be implemented in a December 2021 payroll. • Any discretionary ARP increase, if granted, should be implemented no later than a March 2022 payroll.
<p>BASIC ELIGIBILITY REQUIREMENTS FOR ARP PARTICIPATION</p>	<ul style="list-style-type: none"> • For the mandatory legislative increase, eligible employees must have been in a permanent position on both June 30, 2021 and December 31, 2021. • For the COVID-19 bonuses, employees must have been in an eligible permanent position on December 1, 2021. • For any discretionary ARP increase, eligible employees must have been employed in a permanent position on both June 30, 2021 and December 31, 2021 and must be active in payroll at the time the discretionary ARP increase is implemented. • The mandatory legislative increase and COVID-19 bonuses are awarded regardless of current performance ratings or the presence of any active disciplinary actions. • The discretionary ARP increase may only be delivered with the following criteria being met: <ul style="list-style-type: none"> ○ For employees who have received a 2020-2021 performance review, the rating must be “Meets Expectations” or greater to qualify for any discretionary ARP increase. ○ If an employee was not eligible to receive a 2020-2021 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 Manual¹, the employee must be deemed in “good standing” by their Department Head to participate in any discretionary ARP increase. ○ “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.

¹ 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"> ○ Failure to complete mandated institutional training may also be a consideration for ineligibility for a discretionary ARP increase, at the institution’s discretion. ○ 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 ARP increase. ● EHRA faculty subject to special clinical pay plans shall be excluded from the ARP salary increases and instead subject to the provisions of these plans with respect to annual compensation adjustments.
<p>MANDATORY LEGISLATIVE BASE SALARY INCREASE AND RETROACTIVE LUMP-SUM PAYMENT</p>	<ul style="list-style-type: none"> ● Eligible EHRA faculty, EHRA non-faculty staff, and SHRA staff shall receive a 2.5% across-the-board mandatory base salary increase calculated against the June 30, 2021 base salary with a July 1, 2021 effective date. ● This calculation for the mandatory legislative increase shall exclude any non-permanent administrative salary supplements in effect as of June 30, 2021, 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. ● The mandatory legislative increase must be implemented even if it results in a new base salary that exceeds an established salary range. ● The mandatory legislative increase shall be implemented on a current basis starting with the January 2022 payroll. ● The mandatory legislative increase authorized for the period from July 1, 2021 to December 31, 2021 shall be paid in the form of a lump-sum equal to the authorized legislative salary increase for one-half of the fiscal year and shall be calculated using the employee's June 30 annual base salary. ● To be eligible for lump-sum payment, the employee must have been employed in a permanent position both on June 30, 2021 and on December 31, 2021. An employee who was not employed continuously on a full-time basis between June 30, 2021 and December 31, 2021 shall receive this retroactive lump-sum payment on a pro-rated basis. ● The retroactive lump-sum payment does not apply to persons separated from service prior to December 31, 2021. If an otherwise eligible employee is retiring or separating, the legislative salary increase may be provided so long as the last day of work (including any leave that the employee may be using) is December 31 or later. Because December 31 may be a state holiday and paid day off, “last day of work” refers to the last day on which the person is a paid state employee, regardless of whether the employee came into the office on that day. ● 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.

	<ul style="list-style-type: none"> • The lump-sum payment for SHRA employees must be recalculated to include the impact of the 2.5% salary increase on any earned premium pay, overtime pay, etc. • The mandatory legislative increase is applied as a flat amount on top of any other base salary increase effective prior to January 1, 2022. <i>For example, on a \$50,000 June 30 base salary, the mandatory legislative increase is \$1,250. If the employee received a base salary increase of \$5,000 effective October 1, then the new October 1 salary would be \$56,250 (\$50,000+\$1,250+\$5,000).</i>
<p>MANDATORY LEGISLATIVE ONE-TIME COVID-19 BONUS PAY</p>	<ul style="list-style-type: none"> • Eligible EHRA faculty, EHRA Non-faculty staff, and SHRA staff (<i>including probationary and time-limited employees</i>), shall receive a one-time COVID-19 bonus payment following the eligibility requirements below: • A \$1000 one-time COVID-19 bonus is provided to permanent state employees who are employed as of December 1, 2021. • An additional \$500 one-time COVID-19 bonus is provided to permanent state employees who are employed as of December 1, 2021 and who: <ul style="list-style-type: none"> ○ <i>have an annual base salary not exceeding \$75,000</i> (the \$75,000 threshold is based on the employee’s December 1, 2021 base salary. This amount does not include the 2.5% mandatory legislative increase or any salary supplements but does include any other base salary increases since June 30, 2021 that were already applied on or before December 1, 2021 or that have been approved to be effective on or before December 1, 2021 but are pending completion); <u>OR</u> ○ <i>are a sworn law enforcement officer</i>. The additional \$500 bonus for law enforcement officers is not limited by the employee’s base salary. • Both bonuses must be pro-rated for part-time employees. For the \$500 bonus, eligibility for part-time employees who are not law enforcement officers is based on the employee’s annualized salary at 1.0 FTE. <i>For example, an employee who makes \$60,000 at 0.75 FTE has an annualized salary of \$80,000 and therefore would not be eligible for the \$500 bonus.</i> • The only requirement regarding employment dates is that the employee was in a permanent position (either full-time or part-time) on December 1, 2021. The employee does not have to be employed at the time of implementation of the bonus. • Temporary employees are not eligible to receive either bonus. • Faculty participating in their first year of the Phased Retirement Program <u>are not</u> eligible to receive either bonus due to a TSERS earnings limitation provision, consistent with the Phased Retirement Policy and Regulation. Participants in their 2nd and 3rd years of Phased Retirement <u>are</u> eligible for the bonuses if they meet the other eligibility criteria. • Employees currently on disability or who are on a leave of absence (paid or unpaid) may be eligible for the COVID-19 bonuses upon their return to work if they satisfy all other criteria as set forth in the ARP instructions. • These bonuses are not considered compensation for any retirement plans administered by the State.

<p>DISCRETIONARY ARP BASE SALARY INCREASE</p>	<ul style="list-style-type: none"> • SHRA staff who receive the mandatory legislative increase may optionally be considered for an additional discretionary base salary increase to address outstanding labor market or equity issues applying the University’s regular salary administration criteria for these increase types; however, SHRA employees are not eligible for added <u>merit-based</u> discretionary ARP increases beyond the mandatory legislative increase, consistent with existing State personnel rules. • EHRA faculty and EHRA non-faculty staff who receive the mandatory legislative increase may optionally be considered for an additional discretionary ARP base salary increase to recognize meritorious performance with labor market or equity as permissible secondary factors. Such increases should be prioritized for individuals who have “exceeded expectations” with respect to performance. • The application of any discretionary ARP increase is capped once the maximum of an assigned salary range is reached. • An employee whose base salary is at or exceeds the maximum of their assigned salary range after the application of the mandatory legislative increase is <u>not</u> eligible for any recurring discretionary ARP increase. • Employees who have been selected to participate in the Early Retirement Incentive Program (ERIP) at the time of ARP implementation are not eligible for any discretionary ARP increase. • Except for Academic Deans or Major Center Directors, discretionary ARP increases for any Tier I Senior Academic and Administrative Officers (e.g., Provost, Executive/Senior Vice Chancellors, Vice Chancellors) must be pre-approved by the institution’s Board of Trustees and System Office Human Resources prior to being implemented. Human Resources will provide CHROs with a template to submit any such proposed increases. • Any discretionary ARP increase is subject to available campus-level funding; there is no employee entitlement to this portion of the ARP. There are no additional State appropriations to support these discretionary increases.
<p>ARP CAPS INCLUSIVE OF MANDATORY LEGISLATIVE INCREASE AND DISCRETIONARY ARP INCREASES</p>	<ul style="list-style-type: none"> • If any discretionary ARP components are to be implemented by the constituent institution, a combined ARP cap shall be calculated for each eligible employee so that <u>any combination</u> of the mandatory legislative increase and any discretionary ARP increase does not exceed the calculated cap. The cap calculation shall not include the amount the employee receives from any mandatory COVID-19 bonus. • The ARP cap shall be calculated as <u>7.5%</u> of the employee’s base salary. • This ARP cap calculation shall exclude any non-permanent administrative salary supplements in effect, such as interim and acting appointments, temporary additional duties, or secondary administrative titles. • Solely at the institution’s discretion, however, 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.

	<ul style="list-style-type: none"> • At the option of the constituent institution, the ARP cap may be calculated based on the employee’s June 30, 2021 base salary <u>or</u> on the base salary in effect at the time the mandatory legislative increase is implemented, provided the same approach is consistently applied for all employees. • The 7.5% cap for cumulative LSI/ARP increases includes the 2.5% mandatory legislative increase <u>and</u> any discretionary ARP increase. • This 7.5% cap is separate and distinct from the percent increase cap used to determine whether a salary action may be executed under an institution’s delegated authority (“FY to Date cap”). The FY to Date cap for Fiscal Year 2021-22 does include any discretionary ARP increases but <u>does not</u> include the 2.5% mandatory legislative increase. • Any proposed discretionary increase exceeding the 7.5% ARP cap must go through the normal salary administration process. If a cumulative FY to Date increase (which excludes the 2.5% mandatory legislative increase) does not exceed 20% and \$15,000, then an institution can accomplish the discretionary increase within their normal delegated salary administration authority.
<p>CHANCELLOR SALARY ADJUSTMENTS</p>	<ul style="list-style-type: none"> • The ARP instructions do not apply to Chancellors except as provided for in this paragraph. Chancellors shall receive the mandatory legislative increase and the mandatory COVID-19 bonus, consistent with each campus’ implementation of these ARP components for other EHRA and SHRA employees. Any other salary adjustments for chancellors must be directed by the President and approved directly by the Board of Governors in accordance with Board policy.
<p>ARP AND SHRA ANNUAL LONGEVITY PAYMENTS</p>	<ul style="list-style-type: none"> • For SHRA employees who receive their annual longevity payment for total state service anniversaries on July 1, 2021, 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>SPECIAL PROVISIONS FOR FACULTY PARTICIPATING IN PHASED RETIREMENT</p>	<ul style="list-style-type: none"> • 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, 2021, <u>are not</u> eligible for the mandatory legislative increase, the COVID-19 bonuses, or any of the discretionary ARP increases. • Faculty members who entered the Phased Retirement Program in 2020 or prior years <u>are</u> eligible for the mandatory legislative increase, the COVID-19 bonuses, and the discretionary ARP increases.
<p>LAB SCHOOL EMPLOYEES</p>	<ul style="list-style-type: none"> • The 2.5% mandatory legislative increase and COVID-19 bonuses as outlined in this document also apply to all Laboratory School employees. • The System Office is in the process of confirming any additional teacher bonuses that may be applicable to the UNC System Laboratory Schools. • A separate set of instructions will be issued to the affected constituent institutions to clarify these matters when more information is available.

<p>TRANSFER EMPLOYEES</p>	<ul style="list-style-type: none"> For those who are employed in a permanent position as of June 30, 2021 and December 31, 2021 but who transfer within that time period between state entities eligible for the 2.5% mandatory legislative increase or bonus, the new employing entity is responsible for paying the entire retroactive lump-sum based on the employee’s June 30 base salary. Any concerns about funding the portion prior to the employee’s hire date should be directed to your institution’s budget office.
<p>TEMPORARY STAFF</p>	<ul style="list-style-type: none"> Although not required, wage increases may be provided to temporary SHRA and EHRA employees using available funds.
<p>ARP REPORTING TO THE BOARD OF GOVERNORS</p>	<ul style="list-style-type: none"> The ARP compensation adjustments are not subject to further salary pre-approval guidelines except for Tier I Senior Academic and Administrative Officers (SAAOs) as noted in these instructions. The Board of Governors’ Committee on University Personnel will be provided summary-level reporting of ARP salary actions and average ARP amounts itemized by each constituent institution. Institutions will be required to submit a summary of these actions to the System Office via the monthly salary reporting process and any additional templates provided by System Office Human Resources for this purpose. Please ensure that ARP actions are carefully tracked by each of the ARP component types to facilitate this required reporting.
<p>RETIREMENT CONTRIBUTIONS</p>	<ul style="list-style-type: none"> The 6% employee retirement contribution and the applicable employer contributions from the mandatory legislative increase being applied to the employees’ earnings from July to December 2021 will be collected and reported as instructed by the Retirement System Division.

RECISION OF OSBM FREEZE AND ELIMINATION OF UNC SYSTEM PAUSE ON NON-ESSENTIAL PERSONNEL ACTIONS

- **With the passage of a FY 2021-2022 State budget, the previously communicated freeze on many types of SHRA and EHRA salary actions issued in July, 2021 by the Office of State Budget and Management (OSBM) has been lifted.** Salary actions that were previously identified and planned, but then not implemented due to the OSBM freeze may be processed either on a current basis or on a retroactive basis at the discretion of the constituent institution once all required approvals are obtained. If a retroactive effective date is chosen, it may not be earlier than July 16, 2021, which is the date on which the OSBM freeze was communicated. The retroactive effective date is not intended to be broadly applied and should be reserved only for those specific situations where processing was delayed due to the OSBM freeze, and this delay can be documented as part of the action.
- **Effective immediately, the President has directed the elimination of the COVID-19-related pause on non-essential personnel actions.** While constituent institutions are expected to continue to exercise appropriate prudence and good stewardship with respect to all salary actions, we are now returning to our regular salary administration guidelines. Unlike the OSBM freeze, campuses may not retroactively process salary actions which may have been deferred due to the pause on non-essential personnel actions.

UPDATES REGARDING SHRA CAREER BANDING SALARY RANGES

- The Office of State Human Resources (OSHR) has not authorized any adjustments to the existing SHRA career banding salary ranges at this time. The System Office is in discussions with OSHR regarding potential career banding salary range adjustments during Fiscal Year 2021-2022, but we are unable to predict the outcome of these discussions as of this writing.

UPDATES TO EHRA SALARY RANGES

- The System Office issued updated Senior Academic and Administrative Officer (SAAO) salary ranges in August 2021. These ranges are now in effect and should be used to support ARP decisions.
- No updates have been issued yet this fiscal year for EHRA non-faculty Instructional, Research, and Information Technology (IRIT) salary ranges. The System Office is actively working on updates to the EHRA IRIT salary ranges, but as of this writing, the currently published IRIT salary ranges remain in effect.
- For faculty, applicable campus-based salary ranges should be used. The System Office continues its work on developing optional faculty salary ranges.

FUNDS FOR COVID-19 BONUSSES

- To implement COVID-19 bonuses by December payroll deadlines, OSHR has advised state agencies to make the pandemic bonus payments out of funds available to the agency. CHROs should work with their CFOs to ensure sufficient funds are available for the bonus. Instructions will be provided in the coming days related to needs for additional allotments and the appropriate account and fund code from which the bonuses should be paid. Guidance has been issued by the System Office CFO regarding use of funds for payment of COVID-19 bonuses.

SALARY PRE-APPROVAL GUIDELINES

- Following ARP, all existing System Office and BOG salary pre-approval and salary reporting procedures remain fully in effect for Fiscal Year 2021-2022. Matrices that summarize all these requirements are available in the HR professionals' Classification and Compensation section of the UNC System Office Human Resources website, and all System Office documentation is being updated to reflect these rules.

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 regular salary pre-approval processes, please contact Keith Dupuis at 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 or 919-962-4601.

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