



THE UNIVERSITY OF NORTH CAROLINA SYSTEM

DARRYL BASS

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MEMORANDUM

DATE: August 11, 2022

TO: Chief Human Resources Officers and Academic Human Resources Leads

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

SUBJECT: *Fiscal Year 2022-2023 Instructions for Labor Market Adjustment Reserve*

Section 39.2 of the 2022 Appropriations Act (S.L. 2022-74) funded a Labor Market Adjustment Reserve (LMAR) equal to one percent (1%) of each institution's State-appropriated salaries and associated benefits.

UNC System Human Resources provided preliminary information on the LMAR in the Legislative Salary Increase and Annual Raise Process instructions transmitted to your institutions on July 15. This memo provides the final requirements for LMAR salary actions. Additional information on reporting requirements will follow, as noted below.

Purpose: LMAR adjustments are intended to address salary compression, and other critical labor market needs to equip the institution to better retain talent. Institutions have the discretion to identify which employees or positions will receive LMAR-related adjustments based on identified labor market needs. The President strongly encourages the Chancellors to prioritize LMAR funds to address critical workforce needs among SHRA and EHRA non-faculty employees. The Office of State Human Resources has identified major categories of LMAR actions for reporting purposes:

- Increase salary that is below the minimum of the salary range
- Increase salary that is below the midpoint or market/reference rate of the salary range
- Increase salary to address salary compression or salary inequity issues
- Increase salary to address classifications with higher turnover or higher vacancy rates
- Other market-related reasons for salary increases

Eligible Positions: LMAR funding will provide base salary increases for permanent employees, including time-limited positions. Funds also may be allocated to currently vacant budgeted permanent positions. No more than twenty-five percent (25%) of the institution's permanent employees (as of July 1, 2022) may receive an LMAR increase. LMAR actions for employees currently on leave without pay cannot be processed until the employee has returned from leave; however, the institution retains the flexibility to apply this action retroactively or on a current basis. Constituent institutions should increase the budgeted salary on the position and report that in the template with the name of the employee who is out on leave.

Limits on LMAR Increases: LMAR increases cannot exceed the greater of fifteen thousand dollars (\$15,000) or fifteen percent (15%) of base salary as of the effective date of the adjustment. LMAR increases cannot result in a salary exceeding the maximum of the salary range associated with the position or, for SHRA employees, the market rate of the next-higher competency level.

Effective Date: Institutions have the option to make LMAR salary actions retroactive to July 1, 2022, provided that the employee was in pay status on that date. Alternatively, the institution may choose to provide these increases on a current basis.

Implementation of LMAR Salary Actions: The 2022 Appropriations Act did not require implementation of LMAR salary actions by any particular date, though it is highly recommended that institutions complete actions no later than December 31, 2022.

Reporting Requirements: By September 30, 2022, institutions must report their initial use of LMAR funds to date. UNC institutions will provide this information to System Office Human Resources, which will transmit the university data collectively to the state to satisfy the reporting requirement. Although the initial reporting deadline is September 30, institutions can continue to award LMAR increases after that date. OSHR has not set any subsequent reporting deadlines. UNC System Human Resources will follow-up with guidance on the reporting requirements in a separate memorandum.

Additional Approvals: Each institution decides which employees should receive these salary adjustments. Although OSHR does not approve any LMAR decisions, institutions must still obtain pre-approval for any LMAR adjustment amount that requires higher-level UNC System pre-approval under regular salary administration procedures from a board of trustees, from the president, or from the Board of Governors.

Base Salary Adjustments Only: Because the 2022 Appropriations Act states that institutions must use LMAR funds for “salary adjustments,” institutions cannot use LMAR funds for non-salary actions, such as sign-on bonuses, retention bonuses, or supplemental pay.

Funding Requirements: Funds must be used to increase base salaries paid to employees and shall not be used to supplant other funding sources supporting employee positions or for any other purpose. Payments on behalf of employees for salary increments, legislative salary increases, longevity payments, stipends, and required employer salary-related contributions (e.g. retirement benefits, social security, etc.) shall be paid from the General Fund only to the extent of the proportionate part paid from the General Fund in support of the salary of the employee; the remainder of the employer's contribution requirements shall be paid from the same source that supplies the remainder of the employee's salary.

If you have questions regarding your funding allocation, please contact your institution’s budget office.

If you have questions regarding LMAR-related salary administration, please contact either Keith Dupuis (kedupuis@northcarolina.edu) or Jessica Moore (jlmoore@northcarolina.edu) in System Office HR.

cc: Chancellors
Chiefs of Staff
Chief Financial Officers
Chief Academic Officers
UNC System Senior Leadership
System Office HR Cabinet
File