Operational Requirements for Documenting and Approving Compensation Increases
August 22, 2012

This document replaces all prior guidance with respect to compensation increase actions.

As part of the long-session in spring 2011, the North Carolina Legislature enacted HB 200 which established special requirements for FY 11-12 and FY 12-13 pertaining to changes in employee compensation. In effect, salaries were frozen except for increases that met one or more exceptions permitted by law.

In the recently-completed short session, HB 950 was passed which made changes to HB 200. Of significance was elimination of many of the special requirements and prohibitions previously in effect for FY 12-13. In essence, the external reporting and approval rules which were in effect prior to July 1, 2011 (prior to HB 200) are now again operational. We will continue to require internal approval of certain actions. This document is intended to provide guidance as to those actions which require internal and/or external approval.

This document applies to any and all increases in compensation (except the 1.2% LI) to any individual employed at East Carolina University, except for student workers. This document applies to all compensation increases (except the 1.2% LI) whether they are permanent or temporary, paid by state funds, non-state funds, grants, or from any other source. This document is consistent with the August 10, 2012 guidance from the Board of Governors as well as subsequent communications with GA.

Documentation for ALL increases, regardless of amount, must be submitted to University Human Resources in accordance with the provisions of this document and our internal reporting processes.

The guidelines in this document remain in place until amended. These guidelines are not optional and the expectation is that all departments and individuals will comply with these standards. As changes occur, this document will be modified and will be communicated to appropriate parties.

Determining the Percentage Increase

To calculate the percentage increase, divide the proposed increase by the “Annual Salary.”

For SPA/CSS employees, the “Annual Salary” will be the base salary (excluding overtime, shift differential, longevity, and other supplemental pay) on June 30, 2012.

For EPA employees, “Annual Salary” will be base salary as of June 30, 2012. Thus, EPA “Annual Salary” for purposes of this document would not include stipends, summer school pay, interim appointment pay, incentive payments, and the like.
**Actions Requiring Approval by the Board of Governors or the Office of State Personnel**

For EPA employees (faculty and non-faculty) certain increases must be reported to and **pre-approved** by the Board of Governors. Potentially-reportable increases are those which are either permanent (those which add to base salary) or are temporary for a period of greater than 12 months. These increases must be approved by the applicable Vice Chancellor and the Chancellor prior to submission to GA and are not effective until approved by the Board of Governors.

**Cumulative** increases that meet **either** of the following two criteria must be reported and pre-approved:
- Proposed increases which exceed the established salary ranges set by the BOG (if such range exists).
- Proposed increases which exceed the June 30, 2012 salary (the Annual Salary) by both $10,000 **AND** 15% or more.

However, otherwise-reportable increases which fall within any of the following four scenarios do not require BOG approval:
- FTE changes with no change in rate.
- “Temporary administrative supplement” which does not change the annual base salary rate. For us, increases which fall under this exception are those temporary (non-base) increases for less than 12 months to compensate for additional duties beyond the normal scope of work.
- Increases due to a promotion resulting from a full, competitive external search process. Internal searches or search waivers are not competitive searches and require BOG approval if the increase is above the June 30, 2012, base salary by $10,000 and 15%.
- Faculty retention increases approved through the BOG-level Faculty Recruitment and Retention Fund.

For SPA employees, the following increases must be reported to and pre-approved by the Office of State Personnel. These increases must be approved by the applicable Vice Chancellor and the Chancellor prior to submission to OSP and are not effective until approved by OSP.
- All increases of 19.5% or more. Note that the stated threshold is 20% or more, but OSP rounds up. Thus, increases of 19.5% or more will be rounded up to 20% and will be reportable.
- SPA competitive searches, as defined by the Office of State Personnel, are excluded from further internal salary review unless they exceed the OSP 19.5% threshold.

At this time, there are no exceptions to the 19.5% standard for SPA employees.

**Actions Requiring Approval by the Chancellor and/or Applicable Vice Chancellor**

All salary increases, regardless of purpose, funding source, or permanence, must be approved by the applicable Vice Chancellor.

Unless excluded in the paragraph immediately below, Chancellor written approval is required for cumulative increases in compensation of 10% or more in the following instances:
- All actions reportable to the Board of Governors or Office of State Personnel. See above.
- All permanent increases.
• Additional task-based compensation in excess of 12 months duration.
• Stipends or other temporary increases in excess of 12 months duration.
• Temporary or interim appointment/duties if the term exceeds or is expected to exceed 12 months.

The following increases do NOT need to be approved by the Chancellor. Note, however, if the action is otherwise reportable to the BOG or OSP, Chancellor approval is required.

• Internal candidates hired into a new position as a result of a full, competitive external search (not internal, partial, or waived).
• Change in FTE without change in the per-hour rate.
• Task-based compensation for task periods of 12 months or less.
  ○ This is additional compensation for additional short-term work. Examples of this exclusion include: summer teaching or research; developing course materials; assuming additional short-term duties.
• Incentive compensation for specific, measureable goals that are negotiated and included in written employment contracts.

Notwithstanding any of the above, except for summer instructional compensation, ANY increase in compensation in excess of 15% of Annual Salary must be approved by the Chancellor, regardless of purpose, permanence, or funding source.

Additional Provisions

Appropriate internal approvals will continue to be required per our “normal” approval processes. For example, supplemental payments for EPA non-faculty employees require the Division and HR approval on the EPA non-faculty Supplemental Pay form, and ECUP on-call and shift work requires approval through Health Sciences HR (these two examples are not exhaustive of all possible situations). ALL increase actions must be reported to and, if appropriate, approved by the applicable Division office AND University Human Resources.

The following operational parameters apply to all increases.

1. All proposed increases in compensation, regardless of permanency, amount, or funding source, must be properly justified, documented, and reported. The justification and documentation must fully, clearly, and comprehensively make the case as to why the increase in compensation is appropriate and allowed.

2. All proposed increases in compensation must be approved in writing. For Health Sciences and Academic Affairs, the applicable chair/director, dean, and vice chancellor must approve. For other areas, the supervisor, and other appropriate managers through and including the vice chancellor must approve.

3. No cumulative increase in compensation up to 10% of the Annual Salary will be permitted if it is not approved by the applicable Vice Chancellor. No cumulative increase in compensation greater than 10% of the Annual Salary will be permitted if it is not approved by the applicable Vice Chancellor and the Chancellor, except for the noted exclusions above.
4. Compensation increase requests which require pre-approval by the BOG will be submitted to the BOG in accordance with an approval schedule determined by UNC General Administration. The applicable written approvals and the proper justification and documentation must be submitted to University Human Resources at least SIX business days prior to the BOG deadline. Once documentation is complete, University HR will submit the request to the Chancellor for his signature and, if approved, will submit the request to the BOG.

5. Salary increase requests which require pre-approval by OSP will be submitted on a periodic basis as needed in accordance with any parameters OSP may establish.

6. Increases requiring BOG or OSP approval will not take effect, and any applicable EPAF will not be approved by University HR, unless and until the applicable entity has approved the increase.

7. No increase will be permitted until appropriate approvals (internal and/or external) have been obtained.

8. The actual effective date of a salary increase will depend on the timing of the receipt of the final required written approval(s).

9. All increases approved under these guidelines will be reported quarterly to the Executive Council.