



EXECUTIVE VICE PRESIDENT AND PROVOST

August 5, 2011

To: Vice Presidents, Deans, Department Chairs, and School Directors

From: Joseph A. Alutto, Executive Vice President and Provost

Subject: Fiscal Year 2012 Compensation Guidance

This memorandum provides guidance for the FY12 annual merit compensation process (AMCP). As a university community we are committed to creating a high performance culture that recognizes excellence. The core underlying principle of the AMCP is that all increases must be based on merit, using performance criteria and market and/or equity considerations. Equity considerations do not fall outside of the AMCP and are not to be entered as exceptions to it; instead, any equity or market adjustments must also be based on a careful assessment of performance.

Attached is a list of specific guidance issues; please review these carefully as some of them have changed from previous years. Note in particular the following:

- A merit pool aggregate total of 2.0% is to be established for each college and vice presidential unit, although units have the option of increasing this total if resources are available and with my approval.
- Increases must be submitted to the Office of Human Resources no later than August 29, 2011.
- The first 2% of salary increases associated with previously approved promotions, counter offers, equity adjustments, contractual bonuses, or incentive agreements must be included in the AMCP aggregate total.
- Treatment of returning graduate associates with equivalent appointments should similarly follow these guidelines. Those who are performing well should receive compensation increases consistent with unit decision rules.
- Requests for any salary adjustments of 10% or more must be submitted to my office for approval by August 19, 2011.

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- At the end of the AMCP, I will review a list of all faculty or staff receiving no salary raise. Faculty and staff receiving no raise should be notified in writing and given a rationale for the decision.

We are all aware of the need to be effective stewards of our resources at the same time that we continue to reward our high performing faculty, staff and students. That is both difficult and important with relatively limited pools for compensation increase purposes. I appreciate your ongoing efforts to make the AMCP one that is transparent and effective.

Attachment

C: Eugene Holland, Chair, Faculty Compensation and Benefits Committee
Jason Marion, Chair, Graduate Associate Compensation and Benefits Committee
Emily Meyer, Chair, Staff Compensation and Benefits Committee
Kathleen McCutcheon, Vice President and Chief Human Resources Officer
Geoffrey Chatas, Senior Vice President for Finance and Chief Financial Officer
Timothy Gerber, Secretary of the University Senate
Vice Provosts
Payroll
Senior HR Professionals
Senior Fiscal Officers

Fiscal Year 2012 Annual Merit Compensation Process (AMCP) Guidance

In an effort to recognize faculty and staff achievements, as well as respond to increasing market pressures, the university is implementing an annual merit compensation process (AMCP) for the 2012 fiscal year. Subject to approval of the Board of Trustees, the university is requesting that each budget unit identify and allocate a budget pool of 2% to meet salary increase needs. In meeting with overall budget processes and resource availabilities, each college/unit/vice presidential area may allocate approximately 2% of its current salary budget as a target for salary increase purposes. Units must submit all AMCP increases to the Office of Human Resources by **August 29, 2011**. Summary compensation for university data will be posted on the Office of Human Resources web site for each college/unit/vice-presidential area after the budget process has been completed.

Allocations of identified pools for compensation increases to individual faculty or staff are to be based on demonstrable performance against goals, market considerations, and internal equity. Across-the-board distribution of funds is not appropriate, and it should be understood that zero allocations may be reflective of relative performance, failure to submit review materials, market positioning, or the limited funds available.

Specific Guidance Issues

- A. The university-wide salary pool target is to be approximately 2% with variations of less than 0.05% (i.e., 1.95% to 2.05% range) not requiring approval. Specific individual allocations are to be based on performance, market, and equity issues. Each Dean/Vice President who anticipates an aggregate increase greater than 2.05% must seek written approval from the Provost no later than **August 19, 2011**.
- B. As in the past, the budget pools for faculty, unclassified, and classified staff must remain separate. However, units may differentiate the size of the associated budget pool as long as the total aggregate is 2%. The difference among groups must not exceed .25% (i.e., 1.75% - 2.25% range) without approval of the Provost. Requests for this differentiation must be submitted to the Office of Academic Affairs by **August 19, 2011**.
- C. Internal departmental budget pools may be differentiated within colleges or administrative units.

- D. Faculty receiving promotions will receive 6% increases centrally funded but they must also receive a minimum 2% base salary raise in the AMCP. The 6% increase is not included in the AMCP aggregate total for the college/department.
- E. All faculty and staff, regardless of hire date or probationary status, are eligible. Colleges/departments/units may consider recent hires ineligible if that issue is addressed in an offer letter or by clear department policy. Colleges/units may determine that individuals who are resigning, retiring, being laid off, or on severance are ineligible.
- F. Merit is the primary determinant for pay decisions, although as noted above market and internal equity issues should be taken into account. Fixed cost increases for health and other benefits have had the greatest impact on lower-paid employees. Assuming expected performance levels, administrators can and should take that into consideration in setting salary levels. Individuals with salaries close to their market values may receive little or no increase. Distributing raises in dollar increments rather than on a percentage basis is one method available to reduce the growth of salary disparity and compression.
- G. Any faculty or staff member receiving no salary increase due to performance, market position, or failure to submit review materials must be notified in writing with supporting rationale. At the conclusion of the AMCP, the Provost will review a list of all such cases.
- H. Returning graduate associates with equivalent appointments should similarly follow these guidelines. Those who are performing well should receive compensation increases consistent with unit decision rules. Increases necessary to meet minimum graduate stipend levels will be in addition to these merit considerations.
- I. Individuals paid by non-general funds accounts will be governed by the raise guidelines set by each entity's board. If no guidelines exist the units shall have the same flexibility as colleges/units noted under Section A above.
- J. External grant-funded areas will have the flexibility to use available increase funds with college/unit approval. This decision will typically be linked to overall college/unit compensation principles.
- K. At least 2% of salary increases associated with previously approved promotions, counter offers, equity adjustments, contractual bonuses, or incentive agreements must be included in the AMCP aggregate total.

- L. Non-contractual bonuses and other cash rewards are allowed but must be included in the 2.0% AMCP aggregate total for each unit.
- M. Instances in which market factors or internal equity would require increases in salary of 10% or more (excluding promotion increases) are to be identified and submitted to the Provost with a brief rationale and market data for consideration by **August 19, 2011**. Such requests should be made selectively and conservatively. Individuals being considered for such increases must receive at least 2% of the increase from the aggregate AMCP pool.
- N. Faculty who are being appointed or re-appointed into administrative positions may be compensated for the additional responsibilities associated with those appointments through administrative attachments and/or off-duty salary. Adjustments to the base salary for administrative appointments must be included in the AMCP process.
- O. The bargaining units and the Medical Center are not included in this compensation guidance. The Guidelines do apply to the College of Medicine.