To: USM Presidents

FROM: William E. Kirwan
Chancellor

DATE: May 19, 2015

RE: FY 2016 USM Compensation Guidelines

I. Introduction

With the completion of the General Assembly’s 2015 Session, we are now able to provide guidelines for the compensation of faculty and staff of the University System of Maryland (USM) in Fiscal Year 2016. As we transition from FY 2015 to FY 2016, we start with a bit of good news. With regard to the FY 2015 COLA, you will recall the possibility that the 2% increase that took effect on January 1, 2015 might be rescinded as part of this year’s budget process. We were extremely pleased when the Governor announced on May 6 that the FY 2015 COLA will remain intact in the coming fiscal year. Unfortunately, the FY 2016 budget does not provide for COLA or merit increases. Thus, we are left with limited tools to improve compensation, with positive developments including:

- The ability to provide “retention” salary increases as necessary to retain faculty and operationally critical staff; and
- An adjustment to the Nonexempt salary structure which will allow for modest increases to Nonexempt employees currently paid at rates lower than the minimum salaries in the adjusted FY 2016 structure.

The following mandatory guidelines take effect July 1, 2015 and continue through the fiscal year. They are intended to implement the State Budget requirements related to employee compensation that will arise in FY 2016. Each President may establish institutional guidelines consistent with this document and related USM policies to ensure their appropriate administration on your campus and to address compensation processes and issues specific to your institution.
II. **Scope**

A. **Employee Categories.** The guidelines apply to all USM Faculty and Staff employees in Regular or Contingent I or II status, regardless of the source of funding for the employee’s position. The only categories of compensated individuals exempted from the guidelines are adjunct faculty, graduate assistants, fellows, post-docs and student employees.

As a reminder, please note that the Maryland Minimum Wage Act of 2014 increases the minimum wage for all Maryland workers to $8.25 per hour as of July 1, 2015. The new minimum wage will apply to all USM employees, including student employees and general assistants as of that date.

B. **Types of Compensation Not Restricted by the Guidelines.** Except for certain reporting requirements explained in this memo, the restrictions and requirements of the guidelines do not apply to the following types of compensation:

1. Increases for promotion to a new position;

2. Increases resulting from the reclassification of an employee’s position;

3. Payments for additional duties, such as summer and winter term teaching, overload teaching, on-call or clinical coverage, and temporary service in an acting capacity;

4. Summer compensation for nine- or ten-month faculty funded by sponsored sources or the institution; and

5. Awards, including Board of Regents awards for staff and faculty, and institution service and other awards.

III. **Guidelines**

A. **Salary Structures**

1. **Exempt Salary Structure:** The current salary structure for Exempt Staff employees remains in effect through FY 2016. Consistent with Board of Regents policy, the USM will conduct a market analysis of Exempt salaries in the coming months, with the possibility that we will present recommendations to adjust the USM’s Exempt salary structure in early 2016, for implementation in FY 2017.

2. **Nonexempt Salary Structure:** On May 6, 2015, the Board approved adjustments to the USM’s Nonexempt salary structure for FY 2016 which will provide for 4% increases to the structure that was in place as of January 1, 2015. The institutions will implement the new Nonexempt salary structure on July 1, 2015. At that time, adjustments will be made to increase salaries of employees (including Contingent I and II Staff employees)
whose July 1 salaries are less than the new minimum salaries in each range, to reflect the minimum of the appropriate pay range in the revised Nonexempt structure.

3. Adjunct Faculty: Adjunct faculty who meet the criteria for designation as Adjunct Faculty II under BOR Policy II-1.07 are eligible for a per-course compensation increase that brings their compensation to at least 10% more than the minimum adjunct compensation paid by the institution. Such increases must be in place by the beginning of the Fall 2015 semester.

B. Merit and COLA

The FY 2016 budget does not allow for merit or COLA increases in the coming year. As noted earlier, the FY 2015 COLA will remain intact in the coming year.

C. Retention Increases for Staff and Faculty Employees

Once again, the USM will be able to provide increases necessary to retain Faculty and "Operationally Critical Staff." This option is intended for Faculty and Operationally Critical Staff who are being recruited by other institutions, or where there is strong evidence that a preemptive action may be necessary to prevent the loss of a valued employee.

The USM's ability to offer these limited salary increases was the result, in large measure, of the restraint exercised by our institutions in using this option in Fiscal Years 2011 through 2014. The judicious use of retention increases is equally important in FY 2016. Accordingly, this option should be administered as follows:

1. Faculty Retention Increases: To support a Faculty adjustment, the institution must have one of the following:

   • A written offer to the Faculty member from another institution;

   • Written evidence, including e-mail or other correspondence, that the Faculty employee is being recruited by another institution, or a search firm for an institution, at a compensation level likely to exceed the Faculty employee's current compensation;

   • Documentation that the department has experienced retention problems in recent years that likely will result in the loss of a valuable Faculty employee if a retention adjustment is not made; or

   • Other strong evidence that the institution is at imminent risk of losing a Faculty employee in the absence of a retention adjustment.
2. Staff Retention Increases: To support an adjustment for a Staff employee, the institution must first demonstrate that the employee is “Operationally Critical Staff,” defined as a Staff employee who:

- Is in a position in which the institution has experienced retention problems in recent years;
- Has specialized or unique skills or experience that could not be replicated by the recruitment of a new employee without: 1) increased compensation costs, or 2) significant disruption to critical operations of the unit in which the individual is employed; or
- Where the loss of the employee(s) would cause a loss of federal or other sponsored research funds from contracts and grants or seriously compromise the institution’s ability to compete for sponsored research contracts or grants.

In addition, the institution must have, for the operationally critical employee, one of the following:

- A written offer to the employee from another employer;
- Written evidence, including e-mail or other correspondence, that the employee is being recruited by another employer, or a search firm for an employer, at a compensation level likely to exceed the employee’s current compensation; or
- Other strong evidence that the institution is at imminent risk of losing an Operationally Critical Staff member in the absence of a retention adjustment.

A retention increase may be permitted for a Faculty or Staff employee in a department or unit where the salaries of newly hired individuals or prior retention increases to others have created serious compensation disparities among similarly situated employees. Finally, if the institution wishes to provide such increase to operationally critical staff members who are part of a collective bargaining unit, the appropriate bargaining unit representative should be notified in advance of any salary adjustment.

D. Variable Compensation Programs for Faculty

Institutions with established Faculty incentive programs (e.g., Total Approved Salary) related to externally funded contracts, grants, and clinical services may increase compensation up to the previously established ceiling, as appropriate and governed by institutional policy and procedures. The incentive program ceiling for an individual cannot be increased. Additional State and auxiliary funds may not be used to fund additional compensation under this option. For employees who are compensated with direct Veteran’s Administration (VA) payments, the Total Approved Salary may reflect adjustments made to the VA component as required by the VA.
E. Unauthorized Compensation Increases

The following compensation increases are not permitted in FY 2016:

1. Cost of Living Adjustments (COLAs)

2. Merit Increases

3. Contract Renewal Increases: Any salary increase related to the renewals of contracts for contractual faculty and Contingent Staff employees not otherwise authorized by these guidelines


5. Non-Salary Taxable Compensation: Increases in non-salary taxable compensation (e.g., house and car allowances, and deferred compensation contributions), unless authorized by the President and approved in advance by the Chancellor.

F. Other Salary Adjustments

Other compensation adjustments generally should not be made during the fiscal year. When justified (e.g., a mid-year “acting” status change in pay, supplemental compensation for contractual employees for health coverage cost increases, equity increases required to comply with federal and state equal opportunity employment laws), salary adjustments may be made. Any such adjustments, except for those listed in Section II(B) of this memorandum, should be included in the institution’s periodic report to the Chancellor.

IV. Required Approvals and Reports

A. Prior Approval

The institution must obtain prior approval by the Chancellor, or the Chancellor’s designee, for any FY 2016 compensation increase (other than those listed in Section II(B), “Types of Compensation not Restricted by the Guidelines”) under the following circumstances:

- When the institution proposes to offer multiple (i.e., three or more) salary increases in a department or unit for retention, equity or other purposes.

- After the institution has awarded a total number of retention, equity or other increases in FY 2016 that exceeds 2% of the institution’s full-time equivalent workforce.
Sufficiency of institutional funds will be a critical factor in the determination of whether to approve such increases. Since our institutions have had the opportunity in the last two years to correct salary distortions that may have arisen during prior years of frozen salaries, we expect to see few requests for multi-employee equity or other increases in FY 2016.

Compensation increases proposed under these conditions should be submitted approximately 30 days before their intended effective date and be accompanied by specific justification and documentation.

B. Required Reports

The following reports are required this year. They should be submitted to Associate Vice Chancellor JoAnn Goedert in the USM Office of Administration and Finance, no later than July 15, 2015, unless stated otherwise:

1. President’s Affirmation Letter. Affirms that the salary and compensation actions taken for FY 2016 are consistent with the guidelines established herein, with the President’s signature.

2. Periodic Report of Retention Increases and Other Salary Adjustments. Provides itemized detail of Faculty and Staff employee retention adjustments and “Other Salary Adjustments” made under Section III (F), above, that you have approved. The report should include a brief explanation in support of each decision.

For FY 2016, two reports will be required as follows:

November 20, 2015: For increases effective between July 1, 2015 and November 15, 2015; and

July 15, 2016: For increases effective between November 16, 2015 and June 30, 2016.

The deadline for the first report was established in order to meet a key Dec. 1, 2015 reporting requirement to the General Assembly. The second report is scheduled to capture data through the end of FY 2016.

These reports will include all retention and “other” increases within the scope of these guidelines made during the reporting period. Institutions that provided no compensation increases in a given reporting period simply will be required to acknowledge that fact.
3. Updated List of Institution Key Staff Employees. Includes, at a minimum, institution officers, direct reports to the President, and individuals whose contracts or other compensation agreements that fall under the USM Policy on the Review of Highly Compensated Personnel, containing compensation data for FY 2015 and FY 2016.

4. Report of Retirement Incentives. As required by the USM Retirement Planning and Incentives Plan approved by the Board of Regents in June 2014, this new report will identify all retirement incentives agreed to by the institution in the form of post-severance contributions to faculty or staff during FY 2015. For each employee provided a post-severance contribution, the report will include: the employee’s department, position, and salary upon retirement of the employee; the amount, timing and fund source of the agreement; and the current status and the institution’s future plan for the vacated position.

Suggested reporting formats for each of these reports and an affirmation letter template will be provided by June 30.

If you have any questions regarding these guidelines and reporting requirements, please contact JoAnn Goedert at (301) 445-1921 or via email at jgoedert@usmd.edu. Thank you very much.

cc: Joseph F. Vivona, COO/VCAF
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