OFFICE OF THE CHANCELLOR

TO: USM Presidents
FROM: William E. Kirwan
Chancellor
DATE: April 30, 2013
RE: FY 2014 USM Compensation Guidelines

I. Introduction

With the completion of the General Assembly’s 2013 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 2014. After years of difficult economic times, we are pleased to be able to provide a substantial Cost of Living Adjustment (COLA) and— for the first time in four years—merit increases in FY 2014. The General Assembly has authorized these increases as follows:

- A three percent (3%) COLA to be made on January 1, 2014;
- Merit increases on April 1, 2014.

Given the delay in implementation of merit increases until the fourth quarter of FY 2014, the USM also will be able to provide salary increases necessary to retain faculty and operationally critical staff during the coming fiscal year.

The following mandatory guidelines take effect July 1, 2013 and continue through the fiscal year. They are intended to implement the State Budget requirements related to employee compensation that will arise in FY 2014. 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, issues or collective bargaining requirements 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.
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. Nonexempt Salary Structure. The current salary structure for Nonexempt Staff employees remains in effect through the first half of FY 2014. However, consistent with Board of Regents policy, the USM recently completed a market analysis of Nonexempt salaries and expects to present recommendations at an upcoming Board of Regents meeting to adjust the USM’s Nonexempt salary structure, for implementation in January 2014. Any resulting changes to the Nonexempt salary structure, including adjustments to ensure that all employees are compensated at least at the minimum of the appropriate pay range in the revised structure, will be made starting in the first full pay period of calendar 2014. (The adjustments will be made at former Board of Trustee institutions on January 8, 2014 and at University of Maryland institutions on January 12, 2014.)

2. Exempt Salary Structure: The Exempt Salary Structure approved by the Board of Regents last year and implemented on July 1, 2012 remains in effect through June 30, 2014.

3. Adjunct Faculty: Adjunct faculty who meet the criteria for designation of 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.

B. FY 2013 COLA.

A 3% COLA increase will be made, effective on January 1, 2014, for all USM regular faculty and staff employees. The FY 2014 budget includes funding to increase regular employees’ base salaries by 3% on that date to reflect the COLA adjustment. Institutions may elect to provide a COLA to contractual faculty and contingent staff employees as a matter of discretion.

C. Merit Increases.

The General Assembly has approved merit increase funding for FY 2014, with a delayed implementation date of April 1, 2014. FY 2014 merit increases will be based on the employee’s past performance during a period ending no later than the end of FY 2013. Each institution will
develop a plan to complete the performance evaluations upon which the merit increases will be based and to notify employees of resulting increases.

Consistent with USM Policy VII-9.20, Nonexempt staff who are given an evaluation ranking of “Meets Standards” or better shall receive a merit increase of 2.5%. Based upon the availability of institution funds, an institution may also award an amount up to an additional 2.5% as a merit increase for Nonexempt staff whose performance is above standards and/or outstanding.

Merit increases for other employees shall reflect their performance, consistent with the institution’s performance evaluation plan and standards and any relevant collective bargaining agreement requirements. The FY 2014 budget includes funding for a 2.5% average merit pool for faculty and exempt staff employees.

According to USM policy, employees are eligible to receive a merit increase up to the maximum of their respective pay ranges. Because salaries have not been increased for some time, in FY 2014 institutions may provide the applicable merit increase above the maximum of an employee’s range in the form of a one-time payment that is not added to the employee’s base salary.

Institutions may elect to provide a merit increase to contractual faculty and contingent staff employees as a matter of discretion.

D. 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 continue offering these limited salary increases was the result, in large measure, of the restraint exercised by our institutions in using this option to date. The judicious use of retention increases is equally important in FY 2014. 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; or
   - 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; or
   - 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; or
- 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:

- A written offer to the employee from another employer; or
- 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.

If the institution wishes to provide a retention increase to an operationally critical staff member who is part of a collective bargaining unit, the appropriate bargaining unit representative should be notified in advance of any salary adjustment.

3. 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.

E. 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.

F. Unauthorized Compensation Increases.

The following compensation increases are not permitted in FY 2014:

1. 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, such as discretionary COLA or merit increases described in Sections B and C.

3. 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.

G. 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 that result in total compensation increase of 15% or more during FY 2014 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 2014 for 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 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 2014 that exceeds 5% of the institution’s full-time equivalent workforce.

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 once again 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, 2013:

1. President’s Affirmation Letter. Affirms that the salary and compensation actions taken for FY 2014 are consistent with the guidelines established herein, with the President’s signature. (See attached letter template).

2. Periodic Report of Retention Increases and Other Salary Adjustments. Provides itemized detail of significant Faculty and Staff employee salary adjustments, to include:

   i. All Retention Increases
ii. All other salary adjustments, including reclassifications, promotions or “other” adjustments described in Section III. (G) that result in a total compensation increase of 15% or more during FY 2014.

For FY 2014, four periodic reports will be required on:

July 15, 2013: For increases effective on July 1, 2013.
November 15, 2013: For increases effective after July 1 - October 31, 2013.

The timing of these reports is mandated by USM reporting requirements to the General Assembly, including a report regarding retention increases that is due on December 1, 2013.

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 2013 and FY 2014. (see attached format).


Suggested formats for each of these reports are attached.

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.

Attachments

cc: Joseph F. Vivona, COO/VCAF  JoAnn Goedert
    Vice Chancellors  Rosario I. van Daalen
    Vice Presidents for Administration  Lorri McMann
    Provosts and Academic Vice Presidents  Monica West
    Janice Doyle