MEMORANDUM

TO: Chancellors, Vice Presidents, Vice Provosts, and Twin Cities Campus Deans

FROM: Karen Hanson, Executive Vice President and Provost
Brian Burnett, Senior Vice President for Finance and Operations

DATE: April 7, 2017

RE: Fiscal Year 2018 Compensation Planning Instructions

After a review of economic trends, budgetary realities, and our academic aspirations, President Kaler is proposing the following salary increase guidelines for fiscal year 2018 (July 1, 2017 – June 30, 2018). All increases should be made effective June 12, 2017. Included are details about:

- Salary increase percentage and submission of your Fiscal Year 2018 Compensation Plan
- Increases to salary range minimums (including salary floor), midpoints and maximums
- Structured promotional increases

The information in this memo applies to the following employee groups:

- Faculty in the 94xx job code series at UM Rochester, UM Morris and the Twin Cities
- Academic Professional and Administrative (93xx, 96xx and 97xx series)
- Civil Service
- Graduate Assistants

Please note that these guidelines do not apply to:

- Employees covered by collective bargaining agreements. These groups have compensation plans negotiated into their collective bargaining agreements.

2.0% Salary Increase Pool Being Recommended to Board of Regents

Mindful of budget constraints, the University of Minnesota is incorporating a 2.0% merit increase pool in the President’s recommended operating budget for fiscal year 2018. This merit pool will be calculated on total base salaries for eligible faculty and staff (those noted above). The President’s recommended budget, including the final merit increase, will be brought for Board of Regents review and approval in June. If the Board of Regents makes any change in the merit increase pool, we will notify you immediately with further direction. All communications to employees about any salary increases for fiscal year 2018 should state that the increase is contingent upon final approval of the budget by the Board of Regents in June.
President Kaler has articulated his expectation that all faculty and staff who are not covered by a collective bargaining agreement should receive compensation increases based on merit.

Although it is harder to make meaningful distinctions in pay with a 2.0% merit pool, there are still tactics that can be used to effect differential pay increases for strong performers. Please read “Merit Pay Increases – Design Options for Small Merit Pools” on the OHR website for more information.

The annual increase process should be completed by the end of fiscal year 2017, and salary increases should be reflected in the new base pay rates for fiscal year 2018. University policy requires annual written performance evaluations for all employees. Each college/unit is required to record in PeopleSoft the dates of all completed performance reviews.

**Guidelines for Compensation Planning**

The University of Minnesota is a complex organization, and our campuses, colleges and support units have a variety of needs and challenges. Each campus/college/support unit (Resource Responsibility Center – RRC) is asked to determine for itself an optimal strategy for awarding the 2.0% salary increase.

A written Compensation Plan is required from each RRC and **must be submitted by May 31, 2017.** You will be notified within a week if there are any questions or concerns about your submitted plan. If you do not hear from us within a week, you may assume your Compensation Plan has been approved.

- Colleges and other academic RRCs should submit their Compensation Plans to Karen Hanson, Executive Vice President and Provost, at provost@umn.edu.
- System and Twin City-based Support Units should submit their plans to Brian Burnett, Senior Vice President of Finance and Operations, at burnett@umn.edu.

Please ensure that your Compensation Plan:

- Is consistent with your FY18 communicated allocations or budget allocation letter from the Office of Budget and Finance.
- Describes any extraordinary situation that requires an overall increase pool in excess of 2.0% or below 2.0%. See the note below if you need any alternative salary increase percentage pre-approved by May 5, 2017.
- Provides a rationale for any individual increase over 5%, along with documentation of market comparisons.
- Summarizes any alternative plans proposed for compensation that were submitted through the budget process, including proposals to provide increases less than 2%, if those plans were approved.
- Complies with these policies and rules:
  - University’s Faculty Compensation Policy
    https://policy.umn.edu/hr/facultycompensation
- Academic Professional and Administrative Staff Compensation
  [http://policy.umn.edu/Policies/hr/Compensation/COMPPA.html](http://policy.umn.edu/Policies/hr/Compensation/COMPPA.html)
- Civil Service Rules
- Takes into consideration internal and external market equity and is implemented in a non-discriminatory manner.

**Special Instructions if Requesting a Higher or Lower Salary Increase Pool**

Units can request an annual increase pool that is lower or higher than 2.0%, but must submit this request as part of the unit’s budget/compact oversight submissions no later than May 5, 2017.

*(If your BCO meeting has already occurred, college/academic RRC requests must be submitted to Executive Vice President and Provost Karen Hanson, and support unit RRC requests must be submitted to Senior Vice President Brian Burnett.)*

The request for a lower merit pool must outline either significant financial stress, defined as a permanent loss of revenues and/or a recurring structural budget deficit, and insufficient carry-forward funds. Plans for merit pools that exceed 2.0% must show evidence of documented market challenges or exceptional performance results, coupled with evidence that the additional expenses can be covered within the unit. A written response to proposals, based on a final decision by the President, will be sent from the Budget Office in time for implementation of FY18 increases.

**2.0% Increase to Salary Ranges & Floors**

Effective June 12, 2017, which is the first day of the first pay period in fiscal year 2018, the salary range minimums, midpoints and maximums, as well as the salary floors for positions that have not been moved into formal ranges, will increase by 2.0%. After these adjustments are made, any minimums that are still below $15.00 per hour will be adjusted to $15.00 per hour to support the University’s ongoing commitment to providing living wages. The only exception to this practice will be the range minimum for Residential Life Professional II’s, because these employees are provided housing as part of their total compensation package.

**Promotional Salary Increases**

In addition to annual increases, some individuals may receive promotional increases during fiscal year 2018. Guidelines are below:

*For regular faculty*

Base salary increases for faculty receiving promotions or tenure may not be less than the following amounts:

- Assistant professor without tenure to associate professor with tenure - $3,100
- Assistant professor with tenure to associate professor with tenure - $3,100
- Associate professor without tenure to associate professor with tenure - $3,100
- Associate professor without tenure to professor with tenure - $4,000
- Associate professor with tenure to professor with tenure - $4,000
Promotions for non-regular faculty
Promotional increases for non-regular faculty are awarded at the unit’s discretion. Increases must be consistent with your unit’s past practices, may not exceed the increases provided to regular faculty, and must be implemented in a non-discriminatory manner.

Questions
If you have questions concerning the development or implementation of your fiscal year 2018 Compensation Plan, please contact your human resources consultant. A list of consultants for each college can be found at: http://www1.umn.edu/ohr/er/consultants/index.html.

KH/KFB/kl

c: Eric W. Kaler, President
    Kathryn Brown, vice president, Human Resources