MEMORANDUM

TO: Randolph G. Moore
Chairperson, Board of Regents

FROM: David Lassner
President

SUBJECT: SALARY ADJUSTMENTS FOR EXECUTIVE AND MANAGERIAL PERSONNEL

SPECIFIC ACTION REQUESTED:

It is requested that the Board of Regents approve salary adjustments for executive and managerial personnel where compensation adjustments require Board approval pursuant to Regents Policy 9.212 or where salaries exceed $150,000, retroactive to July 1, 2015.

RECOMMENDED EFFECTIVE DATE:

July 1, 2015.

ADDITIONAL COST:

The 2015 Legislature appropriated funds intended for salary increases for executives and managers fully or partially paid by general funds.

PURPOSE:

To provide a method of granting salary adjustments for executive and managerial personnel who have or have not received adjustments since 2008 and/or have demonstrated meritorious performance during the completed annual rating period.
Regents Policy RP 9.212, Executive and Managerial Personnel Policies, provides that executive and managerial salaries may be adjusted annually, based on individual performance with consideration given to the individual's placement within his/her grade classification salary range, subject to availability of funds. Annual salary adjustments are intended to recognize and reward good performance; ensure executive and managerial salaries remain competitive with comparable university systems and local markets; and secure and retain quality leaders to serve in leadership ranks. In addition, RP 9.212 also provides for the granting of special salary adjustments in extraordinary circumstances such as retention and equity.

Previous temporary salary adjustments. The last salary increase for executives and managers was effective July 1, 2008. On August 27, 2009, the Board of Regents approved a plan to temporarily reduce executive and managerial compensation levels for fiscal year 2010, and upon a review process, adjust levels for fiscal year 2011. The temporary salary reductions effective September 1, 2009 through June 30, 2011, were triggered by the decline in State general fund revenues and the imposed reductions and restrictions on the University budget by the Legislature and Governor of Hawai'i. Under then President David McClain, the executives and managers led the way in making the necessary budget adjustments. In general, the President had a salary reduction of 10% and all system vice presidents, executive administrator and secretary of the Board of Regents, and chancellors had salary reductions ranging from 7% to 9% depending on their evaluation ratings. For all others, the salary reductions ranged from 6% to 7%. The understanding was the plan's parameters would be reviewed in May and June of 2010, or sooner.

On May 19, 2011, the Board of Regents approved temporary salary reductions of 5%, with the President’s temporary salary reduction of 10% remaining in effect for the period July 1, 2011 through June 30, 2012. The salary reductions continued to reflect the current financial situation at that time.

On May 17, 2012, the Board of Regents approved an extension of the 5% temporary salary reductions, with the President’s temporary salary reduction of 10% in effect for the period July 1, 2012 through June 30, 2013. The salaries for executives and managers were restored July 1, 2013.

Recent salary adjustments. It should be noted that University faculty and staff, who are covered by the collective bargaining agreements, have received or will be receiving the following increases:
Faculty:

Pursuant to the 2009-2015 agreement between the University of Hawai'i and effective January 1, 2010 through June 30, 2011, existing faculty received temporary pay decreases for the appropriated fund portion of approximately 6.667%. New hires during the period received a 5% salary reduction.

Effective July 1, 2011, the base salaries of all faculty members subject to the temporary reduction were restored to the December 31, 2009 rate. Effective August 1 of years 2012, 2013 and 2014, the faculty members subjected to the temporary salary reductions received the equivalent of 25% (2012), 25% (2013) and 50% (2014) of the total reduction of compensation in the form of one-time lump sum payments. Thus, the faculty received lump sum payments that totaled the amount of their pay reductions.

Pursuant to the 2009-2015 and 2015-2017 agreements, faculty received or will receive the following adjustments:

- Effective July 1, 2013, 3% across-the-board increase
- Effective July 1, 2014, 3% across-the-board increase
- Effective July 1, 2015, 4% across-the-board increase
- Effective July 1, 2016, 4% across-the-board increase

Administrative, professional and technical employees:

Effective November 1, 2009 to June 30, 2010, our APT employees received temporary pay decreases for appropriated fund portions of their salaries equivalent to 7.5%. Effective July 1, 2010 through June 30, 2013, temporary salary decreases were equivalent to 5%. During the periods of pay reduction for fiscal years 2010, 2011, 2012 and 2013, a total of 13 days per fiscal year were provided as supplemental time off days for general funded APT personnel, which was equivalent to the salary reduction. Effective July 1, 2012, salaries were restored to previous levels.

In addition, pursuant to the 2013-2015 agreements, APT employees received:

- Effective July 1, 2013: 4% across-the-board increase (new salary schedule). For general funded APT personnel who received pay reduction in fiscal year 2012, a maximum of 4 days as
supplemental time off/professional development was also available if APT personnel were subject to the entire reduction.

- Effective July 1, 2014: 2 steps or pay increase of 4%. For general funded APT personnel who received pay reduction in fiscal year 2013, a maximum of 4 days as supplemental time off/professional development was also available if APT personnel were subject to the entire reduction.

The University has completed interest arbitration proceedings in early July 2015 with the Hawai'i Government Employees Association ("HGEA") for Unit 8 APT employees of the University for a successor contract beyond July 1, 2015.

- Hawai'i executive data.
  Hawai'i Employers Council reported in its 2014 Salary Adjustment Survey that the median for the actual increase for period July 2013 to June 2014 in Hawai'i for executives was each 3%, which is same as the national median reported in their report. For the period July 2014 to June 2015, the projected median reported for executives was 3%, with the national median projected to be 3%. Specifically, the actual pay adjustments reported for previous years were 0% (2009), 0% (2010), 1% (2011), 1.5% (2012) and 2% (2013).

- Higher education institutions.
  The CUPA-HR Administrators in Higher Education Salary Survey for the 2014-15 academic year reports that the median salary increase for public institutions was 3.8% (2009), 0% (2010), 0% (2011), 1.5% (2012), 2% (2013), 2.5% (2014) and 2.5% (2015). This 2014-15 survey was completed by 1,277 higher education institutions, where 48% were public institutions.

Proposal. The last salary increase for our executive and managerial personnel was effective July 1, 2008. The proposed increases are necessary to retain knowledgeable and experienced executives and managers and to address steady increases in the cost of living. With the continuing increases in faculty and staff salaries, there is a challenge to maintain parity for executives and managers with salary increases being granted to university faculty and staff. In considering the adjustments, the following was considered:
• Criterion 1: Executives and managers who have not received a salary adjustment since September 1, 2009, when the temporary salary reductions were in effect, were provided $3,000 adjustment to their annual salary.

• Criterion 2: Where appropriate, executives and managers whose salaries fall below the minimum of their assigned grade and range, unless recent hire in fiscal year 2015, were raised to the minimum.

• Criterion 3: Executives and managers who received changes in salary based on new appointments or merit-based special salary adjustments were provided prorated dollar amount depending on date of their last increase. Prorated amounts ranged from $500 to $2,500.

• Criterion 4: Executives and managers who received equity or retention based special salary adjustments were based on date prior to that equity or retention adjustment.

• Criterion 5: Executives and managers who received a rating of outstanding or superior performance evaluation during the 2014-2015 review period received additional performance based compensation.

In addition, UH Mānoa was provided a prorated share of the allocated funds to determine appropriate adjustments. UH Mānoa followed the foregoing criteria and also included equity adjustments for certain campus executives and managers. UH Community College adjustments approved in fall 2014 were considered equity adjustments.

An analysis of the salaries was considered, taking into consideration the factors above. In general, adjustments considered bringing individuals to the minimum of their assigned grade and range where appropriate, providing larger percentage of adjustments to those in the lower grade and range in consideration of the higher faculty and APT salaries, and maintaining internal alignment. The breakdown by category is as follows:

<table>
<thead>
<tr>
<th>Criterion</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Criterion 1</td>
<td>$97,000</td>
</tr>
<tr>
<td>Criterion 2</td>
<td>$33,144</td>
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<tr>
<td>Criterion 3</td>
<td>$118,500</td>
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<tr>
<td>Criterion 4</td>
<td>$103,500</td>
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<tr>
<td>Criterion 5</td>
<td>$602,900</td>
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</tbody>
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Mr. Randolph G. Moore, Chairperson  
July 30, 2015  
Page 6

<table>
<thead>
<tr>
<th>Mānoa equity</th>
<th>$32,340</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average increase</td>
<td>3.07%</td>
</tr>
</tbody>
</table>

The majority cost of these salary adjustments have been provided through legislative appropriation intended for executives and managers. For executive and managers fully or partially paid by non-general funds, the respective campus will internally allocate the necessary non-general funds. The recognition of the achievements and performance of executives and managers is important for organizations. With the increasing faculty and staff salaries, increased compression will occur which may impact the University's ability to secure and retain quality leaders to serve in its leadership ranks.

ACTION RECOMMENDED:

It is requested that the Board of Regents approve salary adjustments for executive and managerial personnel where compensation adjustments require Board approval pursuant to Regent Policy 9.212 or where salaries exceed $150,000, retroactive to July 1, 2015.