FAYETTEVILLE STATE UNIVERSITY

NON-SALARY AND DEFERRED COMPENSATION

Authority:	Issued by the Board of Trustees. Changes or exceptions to administrative policies issued by the Board of Trustees may only be made by the Board of Trustees.
Category:	Personnel – Employees Exempt from the State Human Resources Act
Applies to:	●Administrators ● Faculty ● EPS
History:	Revised – October 8, 2025 Approved – September 23, 2007 Issued – October 3, 2007
Related Policies: Regulations/Statutes	●Reimbursement of Moving Expenses ●Policy on Non-Salary and Deferred Compensation [UNC Policy #300.2.14] ●Regulation for Deferred Compensation for Senior Academic and Administrative Officers Other than Chancellors or the President [UNC Policy #300.2.14.1[R]] ●Regulation on Delegated Authorities Regarding Non-Base Salary Compensation for University Employees Exempt from the NC Human Resources Act [UNC Policy #300.2.14.2[R]]
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I. PURPOSE

The Board of Governors of the University of North Carolina (UNC) requires each constituent institution to establish a policy on non-salary and deferred compensation. Fayetteville State University's (University) policy (Policy) sets forth specific requirements for the payment of non-salary (Non-Salary Compensation) and deferred compensation (Deferred Compensation). Any such payments may only be paid in accordance with the provisions of this Policy and only after receiving the approvals specified in the Policy.

As it relates to Non-Salary Compensation, this Policy applies to employees exempt from the State Human Resources Act (EHRA), including Senior Academic and Administrative Officers (SAAO), faculty, and Exempt Professional Staff (EPS). This Policy is not applicable to the University's Chancellor, Athletic Director, and Head Coaches. UNC Policy #300.2.14 and #300.1.5 address non-salary and deferred compensation for chancellors. The Athletic Director and Head Coaches are governed by UNC Policy #1100.3 and its guidelines.

As it relates to Deferred Compensation, this Policy applies only to SAAOs.

II. NON-SALARY COMPENSATION

Non-Salary Compensation may be provided to EHRA employees for reasons relevant to attracting or retaining employees of the highest quality. Decisions concerning Non-Salary Compensation shall not be based in whole or in part upon any of the protected statuses included in Section 103 of The Code.

Non-Salary Compensation does not include items that are required for the express purpose of conducting University business. Such items may include reimbursement of professional or work-related travel expenses, the provision of equipment to perform the work of the position (even if used at home), including computers, monitors, mobile phones, tablets, and similar work-related items, salary supplements for additional job duties and/or interim or acting promotions, one-time payment of awards pursuant to approved and recognized University employee awards programs, and any other expenses for the express purpose of conducting University business and are not included as Non-Salary Compensation in this Policy.

The following items under this section are considered Non-Salary Compensation under this Policy. Advance approval by the Board of Trustees is required for any Non-Salary Compensation not specifically outlined in this Policy.

A. Employment Bonuses

EHRA employees may be eligible for sign-on, retention, and performance bonuses, subject to the requirements outlined in this Policy. There is no automatic entitlement to a sign-on, retention, or performance bonus by an employee of the University.

1. Request and Approval Process

A division head desiring to offer an employment bonus to a candidate or current employee shall transmit a request and the supporting documentation outlined in this Policy to the Office of Human Resources. Upon receipt of the written request and supporting documentation, the Office of Human Resources shall ensure that the candidate/employee is eligible for a bonus and that the justification for the bonus meets the requirements outlined in this Policy. Thereafter, the Office of Human Resources shall submit the division head's request to the Chancellor. The Chancellor shall consider the request and if supported by the Chancellor, the request shall be forwarded to the University's Board of Trustees for approval. Under no circumstance shall the employee receive the requested bonus prior to final approval by the Board of Trustees.

The Office of Human Resources shall be responsible for reviewing and monitoring sign-on, retention and performance-based bonuses.

2. Eligibility

Only candidates for or employees in permanent EHRA positions are eligible for bonuses under this Policy. A bonus shall not be awarded to an employee under the following circumstances:

- The employee has received an end of appointment notice;

- The employee's most recent annual performance appraisal overall rating is not at least "meeting expectations", or if an annual performance appraisal was not required, is deemed to not be in "good standing";
- The employee is currently working under a performance improvement plan; or,
- The employee is no longer actively employed in their position.

An employee may receive either one sign-on bonus (Sign-On Bonus) or one retention bonus (Retention Bonus), but not both, within any 24-month period. Receipt of a Sign-On or Retention Bonus does not preclude an employee from receiving a performance-based bonus (Performance-Based Bonus) as otherwise allowed by this Policy.

3. Types of Employment Bonuses

a. Sign-On Bonus

A Sign-On Bonus may serve as a recruitment incentive to aid in employing individuals for critical positions that have labor market shortages which affect the business needs of the University and impair the delivery of essential services. Such bonuses must be based on at least one of the following specific, demonstrated recruitment needs.

i. Sign-On Bonuses may be considered for candidates who will be hired into a particular type of position (e.g. police officer) within the University. It must be demonstrated that the job classification is critical to the University's mission, there is a labor market shortage, and the inability to hire qualified candidates would impair delivery of essential services.

ii. Sign-On Bonuses may be considered for an individual position if it can be demonstrated that the position is critical to the University's mission, the labor market is particularly competitive for the skillset and experience required for that position, and the University's inability to recruit and hire a qualified candidate would negatively affect the delivery of essential services. This option is typically reserved for instances where the position is the sole individual, or one of two individuals, fulfilling a role at the University.

b. Retention Bonus

Retention Bonuses are discretionary and intended to enhance retention of employees whose knowledge, skills, and abilities are vital to fulfill the University's goals and/or strategic plan and whose loss would negatively affect University operations. A Retention Bonus must be based on at least one of the following specific, demonstrated retention needs and may not be awarded in an across-the-board manner to broad classes of employees.

i. To retain a group of employees in a specific job classification when the University *has offered a sign-on bonus as a recruitment incentive* for that same job classification;

ii. To retain an individual employee when the University *has offered a sign-on bonus as a recruitment incentive* to individuals in a similar, critical position within the same unit; or

ii. To retain a critical individual employee when they are likely to leave the University to work for another agency or employer.

c. **Performance-Based Bonus**

A Performance-Based Bonus is intended to reward substantial achievements in the course and scope of an employee's University employment. "Substantial achievements" means significant and considerable performance beyond normal expectations of the employee's position. The University, in awarding Performance-Based Bonuses, shall ensure equal opportunity and consistency of application across similarly situated groups of employees and positions.

i. **Eligibility.** Only employees in permanent (benefits eligible) EHRA positions are eligible for Performance-Based Bonuses under this Policy.

aa. **EHRA Non-Faculty.** The award of a Performance-Based Bonus shall be tied to a completed annual performance appraisal for EHRA Non-Faculty employees. Performance bonuses may be awarded only after an annual performance appraisal of the employee has been completed in accordance with applicable University policies.

bb. **EHRA Faculty**. The award of a Performance-Based Bonus shall be tied to the provisions of a written incentive compensation plan for EHRA Faculty employees. Such a plan must be approved by the Provost and Vice Chancellor for Academic Affairs.

ii. **Criteria.** A Performance-Based Bonus and its amount must be tied to specific criteria assessed quantitatively and/or qualitatively as documented in the employee's annual performance appraisal and be in alignment with the strategic goals of the University. Such must be based on at least one of the following specific, demonstrated, substantial achievements:

aa. **Contribution**. The employee has made substantial contributions to the fulfillment of the goals, mission, and objectives of the department/school/college/division or University. Such contributions must be visible, measurable, and acknowledged by colleagues and the employee's department/school/college/division or University administrators.

bb. **Collaboration/Creativity**. The employee has identified and implemented substantial creative and innovative ideas or solutions that increase efficiency or effective use of University resources, the effects of which must be apparent at the department/school/college/division or University level and must be visible, measurable, and acknowledged by colleagues and the employee's department/school/college/division and/or University administrators.

cc. **Results**. The employee has delivered substantial results in the areas of teaching, research, and/or service, the results of which must be visible, measurable, and acknowledged by colleagues and the employee's department/school/college/division and/or University administrators.

4. Amounts and Payments

Bonuses may be funded from any source, including state or non-state funds, so long as the funding source permits an expenditure for this purpose. For state funds, such use must be permissible under the policies of the Office of State Budget and Management.

a. Sign-On/Retention Bonus

i. **Required Agreement.** Before an employee receives a Sign-On or Retention Bonus, the employee must sign an agreement under which the employee agrees to repay the bonus, in whole or part, if the employee separates from the University in fewer than 12 months after the payment of the bonus.

The agreement will also state that if the employee does not terminate employment with the University but moves to another unit or to another occupational group within the University before completion of 12 months of service, the employee forfeits any remaining unpaid installment of the bonus.

An employee is not required to repay any amount of a sign-on or retention bonus if the employee's transfer or termination of employment was due to any of the following:

- death or severe illness requiring hospitalization of the employee or the employee's parent, spouse, sibling, or child;
- employee was unable to perform all of the position's essential duties because of a qualifying medical condition;
- the elimination of the employee's position; or

- a reduction in force.

ii. **Payment.** The following govern the payment of Sign-On and Retention Bonuses:

- A Sign-On Bonus may not exceed the lesser of $25,000 or 20 percent of the annualized base salary of the new position.
- A Retention Bonus may not exceed the lesser of $25,000 or 20 percent of the employee's current base salary.
- A Sign-On or Retention Bonus may be paid in one lump sum or paid out in installments over the 12 months following the hire date or following the date of retention.
- Sign-on and Retention Bonuses are not subject to retirement contributions to either the Teachers' and State Employee's Retirement System or the UNC Optional Retirement Program.

b. **<u>Performance-Based Bonus</u>**

The following govern the payment of a Performance-Based Bonus:

i. An eligible employee may receive only one Performance-Based Bonus per year. The bonus should be made as close to the prior year's performance appraisal cycle as reasonably possible.

ii. A Performance-Based Bonus awarded in a single fiscal year that exceeds 20 percent of an individual employee's current base salary and $50,000 must receive approval from the UNC System President and the Committee on University Personnel of the UNC Board of Governors

iii. At the University's discretion, a Performance-Based Bonus may be paid in one lump sum or paid out in installments over the course of the fiscal year in which it was awarded.

iv. Performance-Based Bonuses are subject to retirement contributions to either the Teachers' and State Employees' Retirement System or the UNC Optional Retirement Program.

v. If the employee leaves the position in which the Performance-Based Bonus was earned prior to the full bonus being disbursed, then the employee shall receive the remainder of the Performance-Based Bonus at the time of separation from the position.

B. **<u>Other Types of Non-Salary Compensation</u>**

Other types of Non-Salary Compensation that the University will provide include the following:

1. **Moving Expenses**

Positions categorized as SAAO may be reimbursed for moving expenses up to $2,000. Such reimbursements are fully taxable and will only be allowed in accordance with the University's policy on Reimbursement of Moving Expenses.

2. **Incentive Payments**

Incentive payments may be provided to employees for participating in an approved research study or other approved program conducted by the University. Payments of cash or equivalent (such as gift certificates or cards with a specific face value) must be included as compensation and are taxable.

3. **University Athletic and Cultural Events**

Positions categorized as SAAO may be provided with complimentary admission to University-related athletic or cultural events for job-related purposes, including admission for an accompanying guest, if the guest is expected to assist in University-related hosting activities.

Complimentary athletic or cultural event tickets or related amenities provided to any EHRA employee for discretionary (non-business-related) use must be authorized in advance on a case-by-case basis and may require reporting for tax purposes as taxable income.

Upon receipt of a written statement of justification provided by a division head to the Chancellor for other types of Non-Salary Compensation within the scope of this Policy, the Chancellor shall consider the request for an eligible EHRA employee and determine whether to approve such request. Under no circumstance shall the employee receive the requested Non-Salary Compensation prior to final approval by the Chancellor.

The funding source for other types of Non-Salary Compensation shall not be state funds, and other types of Non-Salary Compensation may be provided directly by an associated entity if permitted by the associated entity's policies/bylaws. An exception permitting non-salary compensation to be funded from state funds may be approved by the Board of Trustees only when permitted by the Office of State Budget and Management (OSBM).

III. DEFERRED COMPENSATION (SAAOs ONLY)

SAAOs (other than the Chancellor) are eligible for Deferred Compensation in the form of annual contributions to a qualified executive retirement plan administered by the UNC System Office, on recommendation of the Chancellor with the approval of the Board of Trustees. Approval to participate in the qualified executive retirement plan does not automatically constitute approval to receive contributions to the plan. To receive contributions to the plan, the Chancellor must annually recommend any such contribution for approval by the Board of Trustees.

A. Notification

For each SAAO employee approved by the Board of Trustees to participate in the retirement plan, the University will provide written notification to the UNC President that includes the following:

1. The source(s) of funds from which the contributions will be made and the amount of the proposed contribution(s) as a percentage of the eligible employee's base salary;

2. Whether the contribution(s) will be ongoing until the appointment ends or will expire in a specified period; and

3. The vesting period that will apply to all contributions made to the eligible employee's qualified executive retirement plan account. b.

B. Permissible Contribution Amount

Contributions to any individual employee participating in the qualified executive retirement plan must occur once annually and may not exceed ten percent (10%) of the employee's current base salary in effect at the time the contribution is made by the UNC System Office.

C. Entitlement to Contributions

No employee, position, or group of positions is entitled to contributions to the qualified executive retirement plan. All such contributions are voluntary on the part of the University and may be suspended or discontinued at any time and for any reason by the UNC Board of Governors, the Board of Trustees, or the UNC System President. Further, contributions are subject to the availability of University funds, and no contribution will be made if an employee has received notice of an end of appointment and/or is no longer currently employed by the University regardless of prior approvals or written commitments of the same.

D. Source of Funds

Contributions may be made with any source of funds, including state or non-state appropriations if the funding source permits an expenditure for this purpose.

E. Vesting Period

The University must identify and communicate to the employee at the time of the initial contribution a specified vesting period, which may be immediate but may not exceed five (5) years.

F. Administrative Procedures

Contributions under this Policy may only be made to the applicable qualified executive retirement plan administered by the UNC System Office using forms and procedures established by the Plan Administrator, who will provide these forms and procedures to the University's Associate Vice Chancellor for Human Resources upon request.

IV. REPORTING

As dictated by the UNC System President, the University shall provide periodic reporting on non-base salary compensation to the UNC System Office.