

BUSINESS, FINANCE, AND AUDIT COMMITTEE

Resolution:

Whereas, pursuant to s. 230.12(3)(e), *Wis. Stats.*, the Board of Regents is charged with the responsibility to recommend to the Director of the Office of State Employment Relations a proposal for adjusting compensation and employee benefits for all UW System employees for the 2013-15 biennium.

Now, therefore be it resolved:

That upon the recommendation of the UW System President, and pursuant to s. 230.12(3)(e), *Wis. Stats.*, the Board of Regents directs the UW System President to transmit to the Director of the Office of State Employment Relations, currently available information on unclassified salaries for UW System peer institutions and related economic indices affecting all employees of the UW System, and request that the Director recommend to the Joint Committee on Employment Relations, effective July 1, 2013 and July 1, 2014 respectively, a salary increase for all UW System employees no less than that provided all other state employees for each year of the 2013-15 biennium funded through the state compensation reserve.

Further, the Board of Regents directs the UW System President to recommend to the Director of the Office of State Employment Relations that:

Tuition not be used to fund the state pay plan portion of this request, but rather sufficient funds be allocated from the compensation reserve for this purpose;

The UW System be authorized to adjust the academic staff salary ranges and faculty and academic staff minima by the full amount of the pay plan each year;

The salary ranges for university senior executive groups one (Vice Chancellors at non-doctoral institutions) and two (Vice Presidents) be adjusted by the full amount of the pay plan each year;

Retirement, health insurance, and supplemental sick leave conversion benefits of no less than those provided to all other state employees through the state's compensation reserve be provided to all eligible UW System employees; and

The Board be provided an opportunity to return to JCOER to request the use of institutional funds for supplemental pay plans for any or all employee categories for each year of the 2013-15 biennium for any or all UW System institutions.

UNIVERSITY OF WISCONSIN SYSTEM 2013-15 REGENT PAY PLAN RECOMMENDATIONS

EXECUTIVE SUMMARY

BACKGROUND

It has been the practice of the Board of Regents to consider unclassified pay plan recommendations in concert with state biennial budget planning that begins in December in even-numbered years. However, this process was delayed this biennium due to the additional authority the Governor included in his recommended 2013-15 biennial budget, at the Board of Regent's request. That authority would allow the Board of Regents to approve pay plans for all UW System employees. The Governor also added base funding to the UW's block grant budget for an amount that would allow the UW to provide the same amount that it was anticipated would be provided to all other state employees.

On May 23, 2013, the Joint Finance Committee (JFC) removed the proposed pay plan setting authority for the Regents from the biennial budget bill and moved funding for a pay plan from the UW's block grant to the state's compensation reserve, which is used to fund salary and fringe benefit increases for all state employees. The Assembly and Senate had yet to take action on the UW's budget at the time this paper was prepared.

Given the Governor's budget, and the funding that was provided to the UW in its block grant, it made sense for the Board to delay action on a pay plan until the biennial budget process had concluded. However, based on the JFC actions, the Board of Regents may now need to follow the current state law [s. 230.12(3)(e), *Wis. Stats.*], which states that the Board is required to convey to the Director of the Office of State Employment Relations (OSER) all UW System employee salary recommendations so that the Director may make pay plan recommendations to the Joint Committee on Employment Relations (JCOER). JCOER possesses the final authority to approve pay plan recommendations except for those matters which require legislative action for implementation.

This process includes the Regents advising the Governor and the Legislature of the projected salary increases needed to competitively recruit and retain faculty, academic staff, and academic leaders in time for their biennial budget deliberations. Since it is anticipated that the Legislature will complete its deliberations on the biennial budget before the Board of Regents meet again in July, the Board is being asked to approve a pay plan request at its June meeting. The UW System President will transmit the Board's 2013-15 pay plan recommendations to the OSER Director immediately following Board action.

In preparation for making pay plan recommendations to the Board of Regents, the UW System President received advice on June 1, 2012 from the Chancellors on pay plan funding to be included in 2013-15 biennial budget request, presented the 2013-15 budget proposal to the Board of Regents on August 23, 2012, and provided the Board of Regents with an overview of the timeline and goals of the 2013-15 pay plan recommendations on December 7, 2012. Those previous presentations served as a foundation for the action the UW System President will ask the Board to take on the 2013-15 Regent Pay Plan recommendations.

REQUESTED ACTION

Approval of Resolution I.2.b.

DISCUSSION AND RECOMMENDATIONS

The UW System President has received the advice and counsel of the Chancellors who reviewed salary data from established peer groups and national reports on faculty salaries, and examined projections of several economic indicators obtained from the U.S. Bureau of Labor Statistics, Wisconsin Economic Outlook, and the Wisconsin Department of Revenue. In addition, the Chancellors shared information on the recruitment and retention challenges they are facing in their efforts to recruit and retain the high quality faculty and staff they need to accomplish their missions.

In addition to a pay plan request, the Board of Regents also submits to OSER, for JCOER approval, a request for the authority to adjust salary ranges for academic staff, limited appointees, and several executive employee categories, as well as, the minimum salary for faculty and instructional research and academic staff (there is not a salary range upper limit for these employees). It is standard practice that these ranges are adjusted by at least the state provided pay plan amount.

Salary Increases Needed to Reach Peer Group Medians

Reported peer salary data for 2011-12 indicated that faculty on average were 18.8% below the peer group medians. Peer institution 2012-13 salary increases have likely widened the gap. As for academic staff, when last considered for the 2007-09 biennial budget, academic staff were nearly 12% behind market median salaries. With no pay plan increases for the past five years, academic staff salaries have not kept pace with increases in cost of living or relative to peers who have received pay plan increases the past two years of 1.5% and 2.0% on average. With respect to academic leaders in senior executive salary groups, these groups are on average over 19 percent behind predicted peer group median salaries this fiscal year.

Adjust Staff Salary Ranges by the Total Salary Increase Recommended in Pay Plan

The Regent Pay Plan request to JCOER requests the authority to adjust academic staff salary ranges by the amount of the state's pay plan. Since the academic staff title and salary range structure was established in 1986, it has been recommended that the salary ranges be adjusted by at least the full amount of any pay plan.

Adjust Two Senior Executive Salary Ranges

The Board of Regents has authority to set the salary range for Chancellors and the System President. Salary range adjustments for Vice Presidents and non-doctoral institution Vice Chancellors and Provosts require OSER and JCOER approval. State statutes indicate that the unclassified pay plan proposal submitted by the OSER Director to JCOER "shall include the salary ranges and adjustments to the salary ranges for the university senior executive salary groups (for Vice Presidents and non-doctoral institution Vice Chancellors and Provosts)." [s. 230.12(3)(e), *Wis. Stats.*] The Board of Regents requests that OSER forward to

JCOER a proposal that includes adjusting the salary ranges for these two senior executive salary groups by at least the full amount of any pay plan.

Recommendations

Under s. 36.09(1), *Wis. Stats.*, the Board of Regents is vested with the primary responsibility for the governance of the University of Wisconsin System. It is the Board's policy to promote the attraction, development, and retention of a diverse and highly qualified workforce that will effectively and efficiently pursue the missions of the UW System and each UW institution. The Regent Pay Plan and the resulting pay plan distribution policies would include:

1. compensation structures that are market-informed, performance-based, and consider internal equity;
2. the ability to reward meritorious achievement and respond to the need for pay increases for employees with solid performance;
3. the pay plan approved by JCOER, effective July 1, 2013 and July 1, 2014 respectively, which the Board requests be no less than that provided all other state employees for each year of the 2013-15 biennium funded through the state compensation reserve;
4. minimum salaries for faculty and instructional and research academic staff (there is not a salary range upper limit for these employees) as approved by JCOER;
5. salary ranges for academic staff/limited appointees as approved by JCOER; and
6. retirement, health insurance, and supplemental sick leave conversion benefits as approved by JCOER which the Regents request be no less than those provided to all other state employees through the state's compensation plan.

The Regents also ask for the authority to return to JCOER to request the use of institutional funds for supplemental pay plans to reward meritorious performance for any and all employee categories for each year of the biennium for all UW System institutions. This pay plan request will allow Chancellors some ability to recognize the contributions of UW faculty and staff and to provide modest salary increases that have not been adequately addressed for the last two biennia.

Oversight, Roles, and Responsibilities

The Board of Regents has delegated to the President of the UW System or his or her designees the authority to implement and maintain pay plan distribution policies.

RELATED POLICIES AND APPLICABLE LAWS

Chapter 36 of the Wisconsin Statutes
Chapter 230 of the Wisconsin Statutes