

# **BOARD OF REGENTS**

## **BRIEFING PAPER**

- 1. Agenda Item Title:** Policy Proposal – Salary Approval and Reporting  
**Meeting Date:** November 30 – December 1, 2017

### **2. BACKGROUND & POLICY CONTEXT OF ISSUE:**

The *Board of Regents' Handbook* (the "Handbook") provides that the Chancellor may appoint executive staff, including vice chancellor and other administrative positions, that report directly to the Chancellor (See Title 4, Chapter 3, Section 3 of the Handbook). Another section of the Handbook, Title 4, Chapter 3, Section 26(3), provides that the initial salary for vice chancellors must be approved by the Board of Regents. These provisions are not fully consistent, and put the Chancellor in the unusual position of being unable to exercise full hiring discretion for key cabinet level positions. This is true despite that fact that the System has adopted a salary schedule for vice chancellor and equivalent positions.

The attached Policy Proposal revises various provisions in Title 4, Chapter 3 of the Handbook to allow and empower the Chancellor to fully hire vice chancellor and equivalent positions - provided - that the initial salary is within the applicable executive salary schedule. The hiring of any System level positions (including vice chancellor and equivalent positions) above the applicable salary schedule would require the Chancellor to consult with the Board Chair. This is consistent with the current rules applicable to institutions and normalizes the rules for System Administration for hiring above the salary schedule.

The attached Policy Proposal also adds new reporting requirements applicable to both the institutions and System Administration. These new reporting requirements are intended to promote transparency in salary changes and to allow the Board to identify market and other trends related to salary increases. The new reporting requirements (subsection 28(2)) require that certain changes in salary be reported to the Board on an annual basis. This includes (1) salary increases of 10% or greater (singular of aggregate), exclusive of cost-of-living or merit increases, (2) performances bonuses, (3) equity adjustments, and (4) back-pay/retroactive compensation. These reports should provide the Chancellor and the Board information necessary to provide oversight and spot trends in compensation that should be addressed from a systemic/policy perspective rather than on an *ad-hoc* positional basis.

### **3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:**

Chancellor Thom Reilly requests that the Board approve the attached Policy Proposal making various revisions to Title 4, Chapter 3, Sections 26-29 of the *Board of Regents' Handbook*.

### **4. IMPETUS (WHY NOW?):**

The Chancellor should have full power and authority to hire personnel that, in his or her judgment, are necessary to the operation of System Administration, including vice chancellor and equivalent positions, provided those hires fall within the applicable salary schedule. In addition, the Board should be provided information on an annual basis of certain changes in salary, including, for example, salary increases greater than 10% (exclusive of cost-of-living and merit increases). The new salary reporting requirements set forth in this Policy Proposal apply the institutions and System Administration and are intended to promote transparency and allow the Board to identify and provide oversight on important market and other trends related to salary increases.

### **5. BULLET POINTS TO SUPPORT REQUEST/RECOMMENDATION:**

- The Chancellor, as the chief executive officer of the System and the direct superior of cabinet level administrators, should have full power and authority to hire vice chancellor and equivalent positions.
- Annual reporting of salary changes by the institutions and System Administration promotes transparency and allows the Board to identify trends relative to salary and compensation.
- These changes in policy strike a balance between hiring and management (which properly rests with the Chancellor and the institution Presidents) and oversight (which properly rests with the Board).

**6. POTENTIAL ARGUMENTS AGAINST THE REQUEST/RECOMMENDATION:**

- The Board should have a role in the hiring of vice chancellor and equivalent positions and the Chancellor should not have full discretion to hire key administrators absent final approval of the Board.
- No additional reporting requirements related to institution and System administration personnel is necessary.

**7. ALTERNATIVE(S) TO WHAT IS BEING REQUESTED/RECOMMENDED:**

None. Do not revise the existing policies set forth in Title 4, Chapter 3, Sections 26-29 of the Board of Regents' Handbook.

**8. COMPLIANCE WITH BOARD POLICY:**

- Consistent With Current Board Policy: Title #\_\_\_\_ Chapter #\_\_\_\_ Section #\_\_\_\_
- X Amends Current Board Policy: *Title 4, Chapter 3, Sections 26-29*\_\_\_\_\_
- Amends Current Procedures & Guidelines Manual: Chapter #\_\_\_\_ Section #\_\_\_\_
- Other:\_\_\_\_\_
- Fiscal Impact: Yes\_\_\_\_ No\_\_X\_\_  
Explain:\_\_\_\_\_

**POLICY PROPOSAL - HANDBOOK  
TITLE 4, CHAPTER 3, SECTION 26**

Executive Salary Schedule

Additions appear in *boldface italics*; deletions are ~~stricken~~ and bracketed]

**Section 26. Executive Salary Schedule**

1. Development and Review of Salary Schedules. Executive salary models for all executive positions shall be reviewed and updated at least every four years. The Chancellor, in consultation with the Presidents, is charged with reviewing and updating the *executive salary* schedule[s]. Any proposed revisions to the *executive salary* schedule[s] shall not go into effect until approved by the Chancellor. The Chancellor shall provide a report to the Board of Regents regarding any approved *executive* salary schedule changes. *Executive salary* [Salary] schedule reviews and updates will not occur more frequently than annually. ~~The~~ [E]executive salary schedule[s-are to] *shall* be reviewed in accordance with the following principles:
  - a. Use of Peer Group Comparisons: Peer institution groups shall be developed and adopted for executive salaries for the Chancellor's Office, DRI, universities, state college, and community colleges, with the peer groups based primarily on similarity of mission and on other characteristics such as size, administrative complexity, and budget where appropriate. Where appropriate, the same group of peer institutions may also be used for faculty and middle management compensation comparisons, ensuring a link between faculty and executive compensation.
  - b. Compilation and Review of Comparative Salary Data: Data concerning salaries paid to executives in the peer institutions shall be collected at least every four years. Using these data, salary ranges shall be reviewed for each executive category. The peer institution group salaries occurring at the seventy-fifth percentile shall be used to establish the mid-point of each proposed NSHE salary range. The ranges shall be compared for internal consistency among institutions and System units and for proportional relationships between faculty and executive salaries, with adjustments proposed as necessary.
2. Chancellor: The initial salary for the Chancellor shall be set by the Board of Regents.
3. System Executive Staff: The initial salary for the vice chancellors *and equivalent positions* shall be *set by the Chancellor, subject to section 27 of this chapter* [recommended by the Chancellor and approved by the Board of Regents].
4. Board Officer: The initial salary for the secretary to the board shall be set by the Board.

**POLICY PROPOSAL - HANDBOOK  
TITLE 4, CHAPTER 3, SECTION 27**

**Initial Placement on the Salary Schedule**

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

**Section 27. Initial Placement on the Salary Schedule**

1. The provisions of this section are applicable to all employment positions, including executive, administrative and academic faculty positions.
2. Initial placement [~~for~~] *of* positions will be made within the range for that position as reflected in the approved *and applicable* salary schedule. Placement should be based on factors such as prior experience, appropriate credentials, length of service, and quality of performance. *Except as otherwise provided in this section*, [I]nitial placement must [~~generally~~] fall between the minimum salary and *Q2/median/mid-range on the applicable salary schedule*. [~~except for those initial hires with substantial experience and/or credentials relative to the position.~~]
3. [~~Recommendations for i~~]Initial placement at a level higher than *Q2/median/mid-range*, but within the range, must *(a)* be accompanied by written justification and evidence of substantial experience [~~and~~] or credentials relative to the position, and *(b) be* approved by the President (*for institutional positions*) or Chancellor (*for System positions*). [~~as the case may be.~~] [~~Initial placement for institutional positions above the salary range may be approved by the Chancellor if the institution President provides written justification which established that the candidate is unlikely to accept employment without an exception to the salary schedule in consideration of relevant criteria such as the candidate's extraordinary qualifications and experience, the competitive nature of the field or discipline, and the candidate's salary history. This exception is intended to be construed narrowly and should be limited to only a few exceptions per institution each year. The Chancellor may only approve such an exception after consultation with the Board Chair. On July 1 of each year, the Chancellor shall provide an annual report to the Board of any exceptions approved or denied during the immediately preceding fiscal year.~~]
4. *Initial placement for institutional positions above the range of the applicable salary schedule must be approved by the Chancellor. All institution requests for such placement must be (a) signed by the institution president and (b) explain why the candidate is unlikely to accept employment without an exception to the salary schedule, including factors such as the candidate's extraordinary qualifications and experience, the competitive nature of the field or discipline, and the candidate's salary history. Initial placement above the range of the applicable salary schedule should be rare and may only be approved by the Chancellor after he or she has consulted with the Board Chair. On or before August 1, of each year, a report shall be provided to the Board detailing, by institution, all requests for initial placement of positions above the applicable salary schedule during the immediately preceding fiscal year.*
5. *Initial placement of System positions above the range of the applicable salary schedule must*

*be approved by the Chancellor. All System requests for such placement must be (a) signed by a vice chancellor of equivalent position overseeing the position, and (b) explain why the candidate is unlikely to accept employment without an exception to the salary schedule, including factors such as the candidate's extraordinary qualifications and experience, the competitive nature of the field or discipline, and the candidate's salary history. Initial placement above the range of the applicable salary schedule should be rare and may only be approved by the Chancellor after he or she has consulted with the Board Chair. On or before August 1 of each year, a report shall be provided to the Board detailing all System requests for initial placement of positions above the applicable salary schedule during the immediately preceding fiscal year.*

**POLICY PROPOSAL - HANDBOOK**  
**TITLE 4, CHAPTER 3, SECTION 28**

Ongoing Review and Approval of Executive Salary Schedules

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

**Section 28. Ongoing Review and Approval of Executive Salaries**

**I.** After initial placement on the appropriate executive salary schedule, executive salaries shall be reviewed and approved as follows:

- a. Deans: Any proposed salary adjustments for deans (executive directors at DRI) at the member institutions, exclusive of COLA, shall be recommended by the appropriate vice president, approved by the President, and forwarded for information to the Chancellor annually. If any recommended salary falls outside the Board-approved salary range for that position, it must be approved by the Chancellor.
- b. Vice Presidents: Any proposed salary adjustments for vice presidents *or equivalent positions* at the member institutions, exclusive of COLA, shall be approved by the President and reported to the Chancellor.
- c. Presidents: Any proposed [~~annual~~] salary adjustments for Presidents, exclusive of COLA, shall be (a) [~~approved~~] *recommended* by the Chancellor in consultation with the Board Chair [~~and~~] based on performance criteria assessed in an annual *or periodic* evaluation, *and (b) be approved by the Board of Regents*. The Chancellor's recommendation must conform to guidelines set by the Board of Regents and be reported to the Board. The report shall provide the Chancellor's rationale for the salary adjustment, including information on the manner in which the President's performance exceeded his or her performance program and goals.  
  
[~~(1) Periodic salary adjustments for Presidents may be recommended by the Board Chair, based on performance criteria assessed in a periodic evaluation, and approved by the Board of Regents as part of its deliberations to renew contract terms and conditions.~~]
- d. System Executive Staff: Any proposed annual salary adjustments for vice chancellors exclusive of COLA, shall be approved by the Chancellor based on performance criteria assessed in an annual evaluation. The Chancellor's recommendation must conform to guidelines set by the Board of Regents and be reported to the Board. The report shall provide the Chancellor's rationale for the salary adjustment, including information on the manner in which the individual's performance exceeded his or her performance program and goals.
- e. Board Officer: Any proposed annual salary adjustments for the secretary to the board, exclusive of COLA, shall be recommended by the Board Chair, based on performance

criteria assessed in an annual evaluation, and approved by the Board of Regents. The Board Chair's recommendation must conform to guidelines set by the Board of Regents.

- f. Chancellor: Any proposed [~~annual~~] salary adjustments for the Chancellor, exclusive of COLA, shall be recommended by the Board Chair, based on performance criteria assessed in an annual *or periodic* evaluation, and approved by the Board of Regents. The Board Chair's recommendation must conform to guidelines set by the Board of Regents.

~~[(1)Periodic salary adjustments for the Chancellor may be recommended by the Board Chair, based on performance criteria assessed in a periodic evaluation, and approved by the Board of Regents as part of its deliberations to renew contract terms and conditions.]~~

***2. On or before August 1 of each year, a report shall be provided to the Board of Regents detailing, for the immediately preceding year, the following for each institution and System Administration:***

- a. *A list of position, by department, school or functional area, that received a salary increase or adjustment (singular or aggregate) of ten percent (10%) or greater during that fiscal year, exclusive of cost-of-living or merit increases.*
- b. *A list of positions, by department, school or functional area, that received performance bonuses or commissions pursuant to Section 25 of this chapter.*
- c. *A list of positions, by department, school or functional area, that receive an equity adjustment pursuant to Chapter 3, Section 2.3 of the Procedures and Guidelines Manual.*
- d. *A list of positions, by department, school or functional area, that received any type of back-pay or retroactive compensations and the reasons for such compensation.*

**POLICY PROPOSAL - HANDBOOK  
TITLE 4, CHAPTER 3, SECTION 29**

Policies for Executive Salary Increases

Additions appear in *boldface italics*; deletions are [~~stricken~~ and bracketed]

**Section 29. Policies for Executive Salary Increases.**

The following policies shall govern deliberations by the Chancellor and the Board, as the case may be, in recommending [~~merit~~] *salary* increases for the Chancellor, Presidents, vice chancellors (*or equivalent positions*) and the secretary to the board:

1. Any recommendation for an annual merit increase must be based on meritorious performance, documented in a written annual evaluation, which substantially exceeds the individual's performance program and goals for the year and has dramatically moved and shaped the individual's department and/or institution.
2. In years in which a cost-of-living adjustment is made for all NSHE professional employees, the Chancellor and the Board may, at their discretion, recommend no more than a 1 percent increase in salary for meritorious performance. In years in which there is no cost-of-living adjustment for NSHE professional employees, the recommendation shall not exceed a 2.5 percent increase in salary for meritorious performance. In either case, the recommendation will take into consideration any budgetary constraints in the fiscal year in which the salary increase will take effect.
3. Increases in salary for meritorious performance may not be awarded across the board to the executives governed by this section.
4. Salary increases, other than merit increases as governed and limited by the provisions of subsection 2, approved by the Chancellor in accordance with the provisions contained in Section 28 of this Chapter must be reported to the Board. The report shall provide the Chancellor's rationale for the salary adjustment, including information on the manner in which the individual's performance exceeded his or her performance program and goals.
5. Salary increases, other than merit increases as governed and limited by the provisions of subsection 2, recommended by the Board Chair in accordance with the provisions contained in Section 28 of this Chapter must be approved by the Board. The recommendation shall provide the Board Chair's rationale for the salary adjustment, including information on the manner in which the individual's performance exceeded his or her performance program and goals.