

SYSTEM REGULATION

31.01.01 Compensation Administration

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Supplements System Policy 31.01

1. COMPENSATION PHILOSOPHY

The System is committed to providing excellence in education, research and service. To achieve the System's high purposes and ambitious goals, System components must attract and retain a well-qualified work force. Integral to the employment relationship is the competitiveness, equity and fairness of the compensation regulations.

2. DEFINITIONS

2.1 Total compensation includes not only direct pay but also indirect compensation including insurance and retirement benefits and time off programs. The Texas Legislature sets eligibility requirements for these benefits and programs, based on the definition of regular employee. A regular employee is one who is listed in the position identification database for 50 percent or more time for at least four and one-half months, excluding students employed in positions that require student status as a condition for employment. Specific eligibility requirements for various programs appear in the appropriate policies and regulations.

2.2 Position Categories

The System categorizes positions into the following groups:

- (1) Board-appointed positions are those specific positions identified in Board Policy 01.03 as requiring appointment by the Board of Regents.
- (2) Academic positions are traditional faculty positions, the occupants of which either have been granted tenure or are on the established tenure track, plus other positions (such as lecturer, instructor, visiting professor, teaching assistant, etc.) that are paid from funds budgeted for teaching salaries and whose duties include the teaching of academic courses for credit or the direction of such teaching.
- (3) Research and Extension positions involve the performance of research and/or extension (including extension teaching) responsibilities at a professional level, including positions charged with directing such

activities. This category may include positions with traditional faculty titles and unique title codes to differentiate them from similarly titled positions in the Academic category.

- (4) Professional and Administrative positions have a high degree of executive, professional and/or administrative responsibility, as those terms are defined in the Fair Labor Standards Act (FLSA), and meet the FLSA test for exemption. Positions in this category require a baccalaureate degree or the equivalent combination of education and experience.
- (5) Classified positions involve the performance of staff support, clerical, craft, trades, technical, maintenance or service activities or, as a primary responsibility, the direct supervision of individuals performing such activities. Most, but not all, classified positions are nonexempt under FLSA standards.
- (6) Special Category positions are those that, because of their unique organizational placement, function, or other characteristics, clearly do not fit any of the five preceding categories of employment.
- (7) Wage positions are temporary positions that do not appear in the budget and are funded from a lump-sum budget category. These positions are of two types:
 - (a) Student Wage positions require student status as a condition of employment.
 - (b) Other Wage positions are created to accommodate temporary labor needs and can be given a title from any of the major categories noted above.

2.3 Terminology

- 2.3.1 Promotion - When an individual moves from one position to another position requiring higher qualifications, a higher rate of pay and a title change.
- 2.3.2 Demotion - When an individual moves from one position to another position having a lower pay range and/or less senior title requiring less education, experience and responsibility.
- 2.3.3 Reclassification/Re-evaluation - When the job duties of a position are re-evaluated and the position is assigned to a new classification. A position that is re-evaluated may be assigned a lower or higher salary range and/or title. In such cases the position occupant will

concurrently be judged to have been promoted, demoted and/or re-titled.

2.3.4 Transfer - When an individual moves from one position to another, both of which are assigned the same salary range, title or organizational level.

2.4 Salary Actions

2.4.1 Across-the-board increase - When uniform salary increases are granted within prescribed guidelines, usually by legislative enactment, without regard to individual merit of employees.

2.4.2 Merit increase - An increase granted to an individual in recognition of meritorious job performance, as recorded in a formal and documented performance appraisal process (See System Regulation 33.99.03). The annual performance evaluation is required and should be a factor along with other criteria established by each System component for any decision concerning the award of a merit increase. Merit increases are governed by System Regulation *31.01.08 Merit Salary Increases*.

2.4.3 Equity adjustment - A salary adjustment made for the purpose of establishing a fairer and more comparable relationship between the salaries of two or more employees in the same job title or grade relative to experience, education and/or certification. Requests for equity adjustments should include comprehensive documentation justifying the increase and indicating the source of funding.

2.4.4 Market adjustment - A salary increase granted to establish equity/competitiveness with salaries paid in the relevant labor market, as documented by survey data.

3. NON-DISCRETIONARY COMPENSATION

3.1 Minimum Wage - Each System component will establish wage rates in compliance with federal and state minimum wage regulations. See System Regulation 31.01.02, FLSA.

3.2 Hazardous Duty Pay and Longevity Pay - State employees are eligible for hazardous duty and longevity pay in accordance with System Regulation 31.01.04.

3.3 Benefit Replacement Pay

- 3.3.1 Individuals who were employees of the State of Texas on August 31, 1995, became eligible for Benefit Replacement Pay (BRP). Those hired after August 31, 1995, are not eligible for BRP unless they were working for the state on August 31, 1995, and have not had a break in service of more than 12 months since that date.
- 3.3.2 BRP replaced a state benefit that paid 5.85% of the first \$16,500 of income as a Social Security tax supplement. It was a one-time increase to base pay that occurred in January 1996. BRP is based on each employee's October 31, 1995, pay and includes an additional amount to cover the increased Teacher Retirement or Optional Retirement program contribution required by the increased pay.
- 3.3.3 When a BRP-eligible employee is hired or promoted, the offer or promotion letter should state that the salary offered includes the employee's BRP and the payroll document should document that BRP is included in the salary.
- 3.3.4 For employees under a step program, each component should document in a rule whether BRP is included at the minimum rate of a new range or whether BRP will be added to the minimum rate for eligible employees.
- 3.3.5 Forms 500 for new hires, transfers or promotions should state either that the salary includes BRP or that the employee is ineligible for BRP.
- 3.3.6 Once BRP has been added to an employee's salary, it should not be deducted from the FTE rate as periods of appointment are extended or reduced. Likewise, terminal vacation pay calculations should be based on the FTE rate of pay, including BRP, in the last vacation-accruing position held by the employee.

4. AUTHORITY TO SET SALARIES AND WAGES

- 4.1 System Policy 01.03 details the authority of the Board of Regents, Chancellor and CEOs regarding appointments and compensation.
- 4.2 Regular positions in the position identification database specify the authorized salary for each position of employment with occupant name as appropriate. Temporary and seasonal salaries are budgeted by lump-sum allocations to budgetary units and such positions appear in the position identification database as wage position identification numbers (PINs). Components may

include selected positions not meeting the definition of a regular employee as line items in the budget, if permitted in System budgeting procedures.

- 4.3 Each CEO, or designee, may create additional positions and increase the operating budget of the component from savings, income in excess of the budget estimate, and other sources (See System Policy 27.04, paragraph 4.1). Under this authority, personnel/budget actions may be processed during the fiscal year to add new positions or to amend the title, salary and other elements of a position.
- 4.4 The salary of a tenured faculty member who returns to the faculty after serving in an administrative position will be adjusted to an amount that does not exceed the salaries of other persons with similar qualifications and performing similar duties. (See System Policy 01.03.)
- 4.5 The rate of salary paid an employee during a summer session will not exceed the salary rate paid the employee for the same or similar services during the preceding long session.
- 4.6 State law prohibits retroactive salary increases. However, when a document approving a salary increase is signed by an individual authorized to approve salary increases, the increase may be effective retroactive to the first day of the pay period in which the authorizing document was signed.
- 4.7 Any position or individual expected to be used for 4 ½ months at 50 percent or more effort must be placed in the position identification database as a nonwage position identification number (PIN) and be assigned a five-digit PIN.
- 4.8 When a full-time nonfaculty employee is approved to teach a class during normal work hours, his or her salary will not be increased, but will be offset by teaching funds proportionate to the time required for this activity. If the course is taught after normal working hours, additional compensation may be received.
- 4.9 The base salary of a full-time employee shall not be increased by virtue of funding from a grant or contract. In such cases, the salary will be funded in accordance with the portion of time spent on assigned duties.
- 4.10 When an individual is given a salary increase for a temporary assignment involving additional workload or responsibility, his or her salary will be reduced by a like amount when the assignment is completed.

5. COMPENSATION ADMINISTRATION

Each CEO shall establish and communicate salary administration rules, procedures and pay plans for all categories of positions, except Board-appointed positions, existing in his/her component. These rules and pay plans should address internal

equity, objective and fair treatment, competitiveness with the appropriate external markets, and compliance with appropriate federal and state laws. Pay plans must interface with the Budget/Payroll/Personnel (B/P/P) system design.

CONTACT FOR INTERPRETATION: The System Human Resources Office

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