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April 3, 2008

TO: All University of Alaska Staff

FROM: Mark Hamilton
President

A handwritten signature in black ink, appearing to read "Mark Hamilton".

Many of you have received information through Staff Alliance and Statewide Administration Assembly regarding the upcoming change from having separate annual anniversary step increases (2.6 percent average) and cost-of-living adjustments (2 percent) to a single grid adjustment of 4.5 percent. Our Human Resources Department has further followed up with an FAQ on the subject, which has been distributed through governance channels. It is attached here for your reference.

Let me assure you this change in progress is being done with the best interests of our staff in mind. I consulted with the chancellors and Staff Alliance prior to taking action, and have kept the Board of Regents informed along the way.

Several matters are tied closely together before this switch is finalized. A regulation change was required to suspend steps, which I approved March 23. Secondly, the grid adjustment and modification to the budget requires Board of Regents' approval, which is scheduled for the April 17-18, 2008 meeting in Ketchikan. Thirdly, all of this is dependent on legislative funding of staff salaries, as is always the case every year.

Earlier in the session, the state legislature removed UA staff step increases from the budget, leaving intact only the 2 percent grid increase. Faced with the prospect of UA staff receiving less than half of the budget request for staff salary increases, I chose instead to align our method with the state's way of presenting its budget for salary increases. That meant increasing the amount we were requesting to cover a larger grid increase, while dropping our budget request for steps. This approach has received greater acceptance by legislators in Juneau, but final action remains to be seen. Whether we continue with a single grid adjustment for FY10 or revert to our former step/COLA will be thoroughly assessed in the months ahead. Whatever is done will include considerable staff input.

During this current FY08, there will, as always, be staff members who receive their anniversary step late in the fiscal year, compared to some staff who received an anniversary step earlier in the

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fiscal year. All staff will receive the 4.5 percent grid adjustment in FY09, assuming board and legislative approval. Everyone is essentially being treated the same, though a very small percentage (less than 4 percent, according to HR) will receive slightly less of an increase under this new system than they would have under the old system. However, they will still receive an increase. And remember, *the old system was in danger of not being funded at all*. The bottom line is this was the best option for most employees.

Attachment

cc: Chancellors Pugh, Ulmer and Jones
Vice Chancellors Griffin, Spindle and Bailey

Frequently Asked Questions

FY09 Staff Salary Compensation: Cost of Living Adjustment and Suspension of Annual Steps

Background:

In March 2008, the University modified its budget request to seek funding approval for a 4.5% grid increase for UA staff for FY09 instead of the proposed 2% grid increase and 2.6% to cover annual staff step increases. Based on this approach, a revision to regulation will suspend annual step increases. Pending approval by the Board of Regents at the April 2008 meeting, the University will adjust salaries for eligible staff during the first full pay period of July through a salary grid increase of 4.5%.

Why did this change occur?

The University changed its approach to funding for step increases to address concerns raised during the legislative budget review process. The University's FY09 approach of asking for a single increase through a grid adjustment aligns with the State of Alaska's approach to budget requests for annual compensation increases for employees. The change was made to secure support for the University's budget for annual staff salary increases.

When will these changes occur?

Through a revision to University Regulation, annual step increases will be suspended effective July 1, 2008. As there is a specific requirement in Board of Regents' Policy for Board approval of changes to salary structure and cost of living adjustments, the Board of Regents (BOR) will be asked to review and approve the 4.5% grid increase at the next regular BOR meeting in April, 2008.

How and when will employees receive the pay adjustment?

The entire salary schedule will be adjusted by 4.5%. The changes to salary adjustments for staff will be effective for FY09, with the increase occurring in the first full pay period in July, 2008. Employees will see the pay increase in their August 1, 2008 paycheck.

Which employees will be affected?

Exempt and nonexempt regular staff in continuing and term appointments will be affected.

Is this change fair to employees?

The 4.5% grid adjustment made in the first full pay period of the fiscal year will be implemented in place of the 2% grid adjustment and the annual step increase provided on an employee's anniversary of hire date. While employees will not receive step increases during FY09, the higher grid adjustment is intended to provide an equivalent annual increase.

Is the move from a separate COLA and annual step increase to a single grid increase permanent, or will it change in future years?

The University will use this model for FY09. No decision has been made for future years.

Will employees hired before July 1st receive the overall grid increase, even if they are recent hires?

Yes. Even those employees hired in June 2008 will receive the 4.5% adjustment.

Will the University continue to give annual step increases until the effective date of this change?

Yes. Current employees with an anniversary date prior to July 1, 2008 will receive their annual step increase, followed by the 4.5% grid adjustment in July.

Will employees remain on their current steps in the salary schedule when the adjustment is made?

Yes. Employees will remain in their current steps when the salary schedule is adjusted by 4.5%.

Will the salary schedule still exist?

Yes, the salary schedule will still be used to establish salaries for newly hired and promoted employees as it is currently being used.

If you have other questions, please contact your Human Resources Office.