THE UNIVERSITY OF NORTH CAROLINA SYSTEM

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Memorandum

To: UNC System Chief Human Resources Officers

From: Michael Vollmer, Chief Operating Officer

Date: July 9, 2026

Subject: Fiscal Year 2026-2027 Legislative Salary Increase and Bonus Instructions

As provided for in the Appropriations Act of 2026 (SB257, Session Law 2026-41) and the corresponding Joint Conference Committee Report, the UNC System Office has prepared the following Legislative Salary Increase (LSI) and Legislative Bonus implementation instructions for Faculty, SAAO, EPS, and SHRA University employees.

INSTRUCTIONS FOR 2026-2027 LEGISLATIVE SALARY INCREASE

Each constituent institution is required to conduct an Annual Raise Process for Faculty, Senior Academic and Administrative Officers (SAAO), Exempt Professional Staff (EPS), and SHRA employees. Institutions are directed to implement both the recurring legislative salary increase and the one-time legislative bonus in accordance with the instructions below.

Please review these instructions carefully and distribute to appropriate HR, Payroll, and Budget staff at your institution. Questions regarding these instructions may be directed to the Points of Contact listed at the end of this memorandum.

Institutions will be notified of updates to this guidance as they become available.

SECTION I: OVERVIEW OF FY 2026–2027 LEGISLATIVE COMPENSATION ACTIONS	
LSI Components	The Appropriations Act of 2026 authorizes two distinct compensation actions for eligible employees: • A mandatory 3% recurring base salary increase for most Faculty, SAAO, EPS, and SHRA University employees, effective July 1, 2026. • A one-time legislative bonus of $1,750 *or* $1,000, depending upon the employee's annual base salary as of June 30, 2026. These two actions must be processed separately. They have different effective dates, retirement treatment, and payroll coding requirements. *Note: NCSSM/UNCSA K-12 Teachers and Police/Law Enforcement personnel are subject to different provisions and are addressed separately in Sections IV and V below.*
Covered Employee Groups	The following employee groups are generally eligible for the mandatory 3% recurring salary increase and the one-time legislative bonus: • Chancellors and Senior Academic and Administrative Officers (SAAO) • Exempt Professional Staff (EPS)

	• Employees Subject to the State Human Resources Act (SHRA) • Faculty *Exclusions are addressed in the relevant sections below.*
SECTION II: EFFECTIVE DATE & IMPLEMENTATION TIMING	
Effective Date	**July 1, 2026, unless otherwise specified in the legislation.** The legislative salary increases authorized by the Act become effective July 1, 2026. Employees whose last workday is prior to June 30, 2026, due to resignation, retirement, dismissal, reduction in force, or death are not eligible for the salary increase.
Implementation Timing (Recurring Increase)	Institutions must implement the recurring 3% base salary increase for eligible employees, with an effective date of July 1, 2026. The increase should be reflected in the July 2026 payroll cycle(s). If operational constraints prevent timely implementation, retroactive payments must be calculated from July 1 and processed in the earliest available payroll cycle. *If your institution requires additional time due to extenuating circumstances, please contact Michael Vollmer at jmvollmer@northcarolina.edu as soon as possible.*
Implementation Timing (One-Time Bonus)	The one-time legislative bonus must be paid as close as practicable to October 15, 2026, for all permanent employees who were employed as of June 30, 2026, even if they separate before the bonuses are paid. Bonus payments must be processed separately from recurring salary increases and are exempt from inclusion in retirement compensation calculations. Institutions should coordinate payroll calendars accordingly to ensure timely and accurate bonus distribution.
SECTION III: MANDATORY LEGISLATIVE BASE SALARY INCREASE	
General Rule	Each eligible permanent employee must receive a 3% recurring base salary increase effective July 1, 2026. The increase must be calculated using each employee's June 30, 2026, recurring base salary. It must be implemented even if the resulting salary exceeds an established salary range maximum. Do not reduce or otherwise adjust the legislatively authorized increase solely because the employee's salary exceeds (or would exceed) a range maximum.
Generally Included in Calculation	The following components are generally included in the recurring base salary calculation: • Permanent recurring base salary • Recurring administrative supplements (consistently applied) • Approved recurring salary adjustments with an effective date of June 30, 2026, or prior *As in previous years, institutions may determine whether certain long-term administrative supplements (e.g., Department Chair or Academic Department*

	Head stipends) should be included, provided the approach is applied consistently across similarly situated employee groups and documented.
Generally Excluded from Calculation	Unless specifically authorized by UNC System Office guidance, compensation for any of the following is generally excluded from the base salary calculation: • Interim or Acting appointments • Temporary additional duties • One-time stipends or awards • Nonrecurring supplements • Legislative Bonus payments • Allowances or Reimbursements for moving/relocation, mobile device use, vehicle use, etc. • Sign-on, Retention, or Performance Bonuses
SECTION IV: NCSSM / UNCSA TEACHERS (TEACHER SALARY SCHEDULE) AND LAB SCHOOLS	
Applicability	Teachers employed at the North Carolina School of Science and Mathematics (NCSSM) and the University of North Carolina School of the Arts (UNCSA) who are paid under the legislated NC Teacher Salary Schedule are excluded from the standard 3% recurring salary increase described in Section III. These employees are compensated pursuant to the Teacher Salary Schedule established under State law.
Lab School Employees	The standard 3% legislative salary increase applies to all eligible UNC Laboratory School employees. The UNC System Office will continue to monitor applicable legislative provisions and issue separate instructions to laboratory school institutions if additional or different provisions apply.
Implementation Instructions	*Employees paid based on the NC K-12 Teacher Salary Schedule at NCSSM and UNCSA should have their salaries adjusted to conform with the updated NC Teacher Salary Schedule.*
SECTION V: CAMPUS POLICE / LAW ENFORCEMENT PERSONNEL	
Applicability	Sworn law enforcement personnel at UNC System constituent institutions are subject to separate legislative compensation provisions and are excluded from the standard 3% recurring salary increase described in Section III. Sworn law enforcement personnel will receive a 13% increase to each employee's annual base salary, as of June 30, 2026, rather than the across-the-board 3% increase applied to other employee groups. Non-sworn public safety personnel and support staff should receive the standard 3% increase described in Section III.
Implementation Instructions	Sworn law enforcement officers shall receive a salary increase of 13% in FY 2026-2027, effective July 1, 2026.

	The increase must be calculated using each employee's June 30, 2026, recurring base salary. It must be implemented even if the resulting salary exceeds an established salary range maximum. Do not reduce or otherwise adjust the legislatively authorized increase solely because the employee's salary exceeds (or would exceed) a range maximum. Increases should be reflected in the same payroll cycle(s) as other employees, as outlined in Section II.
SECTION VI: ONE-TIME LEGISLATIVE BONUS	
Bonus Amounts	The Act authorizes a one-time compensation Bonus for eligible permanent employees based on the employee's annual base salary as of June 30, 2026: • *Annual salary of $65,000.00 or less* → ***Bonus of $1,750*** • *Annual salary greater than $65,000.00* → ***Bonus of $1,000*** The salary threshold is determined using the employee's annual salary on June 30, 2026. <u>Permanent part-time employees shall receive a prorated bonus</u> based on their FTE *(e.g., a permanent employee paid $60,000 and employed at 0.5 FTE would be eligible for a bonus of $875).*
Payment Timing	Per the legislation, the one-time Bonus must be paid as close as practicable to October 15, 2026. Institutions should coordinate their payroll calendars to ensure timely distribution. Bonus payments must be coded separately from recurring salary increases in all payroll and HR systems.
Retirement Treatment	The legislation explicitly provides that the one-time Bonus: • is NOT considered compensation for the purposes of any State retirement system (inclusive of TSERS or ORP) • does NOT become part of the employee's annual base salary • must be paid separately from the recurring salary increase • is subject to proper federal and State payroll tax withholding Institutions must communicate clearly to employees that the Bonus is nonrecurring and is not included in retirement compensation calculations.
HR & Payroll Considerations	When processing Bonus payments, institutions must: • Verify employee eligibility as of June 30, 2026 • Employees who separate from their institution on or after July 1, 2026, but who were eligible as of June 30, 2026, remain entitled to the corresponding bonus payment and should be paid accordingly • Determine the applicable salary threshold before applying bonus amounts • Separately code bonus payments from recurring salary increases in all payroll systems • Communicate clearly to employees that payment is nonrecurring and not included in retirement compensation • Ensure payroll tax withholding is applied in accordance with applicable federal and State requirements

SECTION VII: SPECIAL EMPLOYEE POPULATIONS	
Chancellors	Chancellors shall receive the mandatory 3% legislative salary increase consistent with the treatment of other eligible EHRA employees. Adjustments must be reflected in employment records and communicated to the UNC System Office in accordance with standard reporting requirements.
Temporary Employees	Per the legislation, temporary hourly employees shall receive the 3% legislative salary increase effective July 1, 2026. The 3% increase should be applied to the temporary hourly employee's regular hourly wage *(e.g., a temporary employee paid $20 per hour as of June 30 would receive a 3% increase, equivalent to 60 cents per hour)*. Temporary employees are NOT eligible to receive the one-time Bonus.
SHRA Annual Longevity Payments	SHRA longevity payments occurring on or after July 1, 2026, must be calculated using the employee's updated recurring salary (i.e., post-LSI salary). Payroll offices should verify each of the following before processing longevity: • Longevity anniversary dates • Updated base salary calculations reflecting the 3% increase • Payroll programming and system updates • Proper retirement reporting on updated salary amounts
Faculty in Phased Retirement	Institutions must carefully review all faculty participants in phased retirement agreements. The legislative treatment of phased retirement participants has varied in prior years depending upon statutory language and UNC System guidance. Campuses should: • Verify phased retirement participation dates • Review applicable retirement agreements for relevant salary provisions • Consult with the UNC System Office if the application of the legislative increase to a specific agreement is unclear

SECTION VIII: TRANSFERS	
UNC-to-UNC Transfers	Employees transferring between UNC constituent institutions should generally retain eligibility for legislatively authorized compensation actions. The receiving institution is responsible for verifying the following: • June 30, 2026, base salary at the prior institution • Transfer effective date • Employing institution for payroll responsibility purposes • Whether prior compensation actions have already been applied
State Agency to UNC Transfers	When an employee transfers from a State agency to a UNC institution, the receiving institution must coordinate with the prior employing agency to verify: • Salary history and June 30, 2026, base salary • Eligibility for the LSI and one-time bonus • Effective dates of all prior compensation actions • Whether the prior agency has already implemented any portion of the legislative actions

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<tr><td>Community College Transfers</td><td>Because community college employees are governed by different statutory provisions, institutions should evaluate these situations individually. Consult with the UNC System Office if there is uncertainty regarding the appropriate treatment of a specific community college transfer.</td></tr>
<tr><th colspan="2">SECTION IX: ADDITIONAL IMPLEMENTATION CONSIDERATIONS</th></tr>
<tr><td>Employees Separating from Employment</td><td>Employees whose last workday is on or prior to June 30, 2026, are not eligible for the salary increase or the one-time bonus. For employees who separate after June 30, 2026, but before or shortly after implementation, HR and Payroll must determine:
What retroactive salary is owed from the July 1 effective date
Whether the employee is eligible for the one-time legislative bonus
Whether SHRA longevity requires recalculation using the updated salary
Whether final payouts require adjustment to account for the salary increase</td></tr>
<tr><td>Employees on Leave</td><td>Institutions must review all employees on approved leave on an individual basis. Employees on paid leave should generally receive the legislative salary increase effective July 1, 2026.

Paid Leave (generally eligible):
Paid Family Leave
Paid Military Leave
Workers’ Compensation salary continuation
Paid Medical Leave
Leave Without Pay (LWOP) (determine eligibility individually):
Extended Medical Leave
Educational Leave
Personal Leave
Military Leave without pay
If an employee on LWOP returns during the fiscal year and remains otherwise eligible, HR should coordinate any necessary salary adjustments with Payroll upon return.</td></tr>
<tr><td>Retroactive Payments</td><td>Although institutions are encouraged to implement salary increases in the earliest possible payroll cycle, operational delays may occasionally occur. If implementation occurs after the first payroll cycle of the fiscal year, institutions must:
Calculate retroactive salary owed from July 1, 2026
Process the retroactive payment in the earliest available payroll cycle
Ensure retirement and benefit deductions are properly reconciled for the retroactive period
Coordinate payroll taxation treatment in accordance with applicable federal and State law</td></tr>
<tr><td>Student Employees</td><td>Student employees are not addressed in the Appropriations Act of 2026 and <u>are not subject to the mandatory legislative salary increase or bonus</u>. Institutions may review student wage rates separately under institutional authority and available funding.</td></tr>
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Athletics Employees	For coaches and athletics administrators whose employment contracts already include annual salary adjustment provisions, institutions must: • Review each employment contract for existing salary adjustment language • Determine whether existing contractual provisions already address legislative compensation requirements • Evaluate against applicable Board of Governors policies Unless contractual language provides otherwise, legislative compensation actions should generally be administered consistently with other eligible employees. Questions regarding specific contract situations should be directed to the UNC System Office, Division of Legal Affairs.
SECTION X: PAYROLL VALIDATION CHECKLIST	
Pre-Payroll Validation	Prior to payroll confirmation, institutions should verify each of the following: • July 1, 2026, effective dates applied to all eligible recurring salary increases • Correct June 30, 2026, recurring base salary used for all calculations • NC Teacher Salary Schedule employees (NCSSM/UNCSA) segregated from standard LSI processing • Sworn law enforcement personnel segregated from standard LSI processing • One-time bonus eligibility confirmed and bonus amounts correctly coded • Permanent part-time employees bonuses are correctly prorated based on June 30, 2026, FTE • Bonus payments coded separately from recurring salary increases • Retirement deduction accuracy confirmed on updated recurring salaries • Updated employer retirement contribution rates applied • SHRA longevity calculations updated to reflect new recurring salaries • Salary range exceptions documented (do not reduce legislatively authorized increases) • Payroll interfaces and downstream systems updated • Budget reconciliation completed for all salary and bonus changes
SECTION XI: COMMUNICATION RECOMMENDATIONS	
Recommended Communications to Employees	To promote consistency and reduce employee confusion, institutions should communicate the following information to all affected employees: • The effective date of the recurring salary increase (July 1, 2026) • The anticipated payroll date on which the increase will first appear • The timing and anticipated payroll date for the one-time legislative bonus (target: October 15, 2026) • The distinction between the recurring salary increase and the nonrecurring bonus payment • The fact that the bonus is not retirement compensation and will not affect base salary

	• Special rules for employees paid under the Teacher Salary Schedule or sworn law enforcement officer schedules *Providing consistent, proactive messaging across campus will help ensure employees receive clear and accurate information throughout the implementation process.*

Institutions will be notified of updates to this guidance as they become available.

Points of Contact

- **Budget Allocation-related Questions:** Brandy Andrews, VP for University Finance – bbandrews@northcarolina.edu
- **Payroll or Retirement-related Questions:** Brian Usischon, VP for HR Services – bmusischon@northcarolina.edu
- **General LSI or HR Policy Questions:** Dylan Morris or Raisa Dunton – SystemComp@northcarolina.edu
- **Exceptions to the Implementation Schedule:** Michael Vollmer, COO – jmvollmer@northcarolina.edu

cc: UNC System Office Senior Officers
Chancellors, UNC System Constituent Institutions
Chief Financial Officers, UNC System Constituent Institutions
Chief Academic Officers, UNC System Constituent Institutions
Chiefs of Staff, UNC System Constituent Institutions
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