

MICHIGAN STATE UNIVERSITY

July 23, 2025

TO: Vice Presidents and Executive Heads of Major Administrative Units

FROM: Donna Donovan, J.D., Interim Associate Vice President for Human Resources
Teresa Mastin, Ph.D., Vice Provost and Associate Vice President for Faculty
and Academic Staff Affairs

SUBJECT: Merit and Equity + Excellence Market Raise Guidelines for Executive
Managers

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We recognize that institutional excellence in fulfilling our missions in teaching, research, and outreach at the local, national, and global levels depends on the strength and quality of our employees and are pleased to recognize the vital role that our executive managers play in leading and supporting the university's mission and in advancing its aspirations.

Upon the recommendation of the University leaders, the MSU Board of Trustees approved the 2025-2026 University budget, which includes a salary merit raise pool for executive managers of 2.5 percent for those with salaries at or below \$200,000 and 1 percent for those with salaries above \$200,000. Additionally, the approved budget also includes a 0.5 percent Compensation Equity and Excellence Market Pool (E&E) for executive managers. Raise adjustments will be available for distribution during the normal raise process, with the allocated raises becoming effective October 1, 2025.



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As the university begins its annual raise process, we would like to provide an update regarding this year's approach for executive managers. Merit raise percentages for executive managers (EMs) generally align with those provided and approved for by the Board of Trustees for non-union faculty and academic staff; this year, however, due to campus-wide budget reductions, the decision was made to make a smaller percentage available to executive managers making more than \$200,000 per year. Each Major Administrative Unit (MAU) will be provided with three raise pools:

1. Merit Raise Pool control total¹, calculated as 2.5% of the total combined salaries of all eligible EMs making less than \$200,000
2. Additional Merit Raise Pool, calculated as 1% of the total combined salaries of all eligible EMs making more than \$200,000 within your MAU, and
3. Compensation Equity and Excellence Market Pool control total calculated as 0.5% of the total combined salaries of all eligible EMs within your MAU. If your unit also employs Faculty and Academic Staff, these control totals will also include their salaries.

Merit Raise Pool

Raises will be distributed based on merit. Within your MAU's Merit Raise Pools, you have discretion in how to allocate the total pool of dollars across your executive team. This process empowers supervisors and requires accountability and responsibility. Adjustments for individuals should recognize relative merit in the performance of their job responsibilities and be based on relevant criteria pertaining to position expectations. Merit may reflect exceptional

¹ The definition of a control total is provided in the attached document.

contributions and strong performance, including responsiveness to pressing demands, service in critical roles, and efforts that advance strategic priorities.

Supervisors are expected to ensure that individual performance is assessed, and that salary increase recommendations are determined based on merit assessment. As a general principle, supervisors must play an active role in assessing employee performance, having ongoing conversations with employees about their performance, and rewarding employees accordingly.

To determine salary increase recommendations, consideration must be given to ensuring equitable and fair treatment for executive managers. A decision to make no salary adjustment or a very low salary adjustment to an otherwise eligible individual must result from merit considerations. Supervisors should retain documentation of the process used and the rationale for any individual merit-based salary adjustment decision in their administrative unit. The documentation minimally should include a listing of performance outcomes correlated to each raise percent determined. If a supervisor utilizes a specific methodology for distributing merit, the process should be documented.

Compensation Equity and Excellence Market Pool (E&E)

The Compensation Equity and Excellence Market Pool (E&E) recognizes executive managers who are consistently acknowledged as exemplary. These principles will be used for allocation of market adjustments. In addition, executive managers whose salaries are materially below peers are to be considered.

The intent of this pool of funds is to recognize talented employees in a timely manner and, in so doing, encourage long-term commitment to the university within an increasingly competitive national market.

When making E&E raise determinations, it's important to have the full context of an employee's salary relevant to the employee's salary history within the unit. We encourage you to consider a number of factors in determining market raises, including but not limited to: 1) extent to which employee performance is assessed at a consistently excellent level, 2) employee salary history, 3) internal unit equity, and 4) relevant external salary market comparisons for similar positions. This could be on a local, national, regional, or international level depending on the position.

Questions regarding this process can be directed to any of the following individuals:

- Amanda Goll, Office of the President, goll@pres.msu.edu
- Rebecca Yauch, Human Resources, ryauch@hr.msu.edu
- Kara Yermak, Office for Faculty and Academic Staff Affairs, burtkara@msu.edu

Attachment

Cc: Kevin M. Guskiewicz, Ph.D., President
Vennie Gore, Executive Vice President for Administration
Thomas D. Jeitschko, Ph.D., Interim Provost
Michael Zeig, Ph.D., Chief of Staff and Special Assistant to the President

Executive Management Merit & Market Raise Process Summary (2025)

In this Summary Document

1. Key Things to Know
2. Eligibility Guidelines
3. The Process
 - a. Merit Raise Pool
 - b. Compensation Equity & Excellence Market Pool (E&E)
4. Examples
5. Special Increases and Increases Above the Control Total

Deadline: Friday, August 22

Key Things to Know

- The 2025-2026 University budget, which includes the Merit Pool and the Compensation Equity & Excellence Market Pool (E&E) is approved by the Board of Trustees.
- Executive managers are eligible for raises within the context of one of two separate Merit Pools:
 - One determined by the sum of 2.5 percent of total salaries for those executive management at or below \$200,000; and
 - One determined by the sum of 1.0 percent of total salaries above \$200,000.
- Note:** These two merit pools are non-interchangeable.
- A 0.5% E&E Pool will be available for all executive management, regardless of salary level.
- There are specific guidelines for how merit and market dollars can be distributed, including how much and to whom.
- Raises are effective on October 1, 2025.
- Your HR Administrator and Budget Officer should be valuable resources to you throughout this process.

Eligibility Guidelines

1. Executive managers must have been employed **on or before January 1, 2025**, to be eligible for merit raise adjustments unless otherwise specified under the terms of the appointment.
 2. Executive managers who are on leave (with or without pay) are eligible for the merit increase. Those on long-term disability (LTD) are excluded. For those on a non-LTD leave without pay, any merit increase you provide will be applied to their salary; however, these individuals will not receive actual earnings from this increase until they return from leave.
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The Process

- 1 Three separate pools of monies will be distributed to each Major Administrative Unit (MAU):
 - a) A Merit Raise Pool control, which is based on 2.5% of the FTE salaries of eligible executive management earning \$200,000 or lower. This pool is combined with the 2.5% merit pool for all other non-union faculty and academic staff. Meaning, if your unit also has faculty or academic staff, executive managers and faculty and academic staff will appear on the same list.
 - b) A Merit Raise Pool control total, which is based on 1.0% of the FTE salaries of executive management earning more than \$200,000. This is a stand-alone merit pool for only this group of executive management.
 - c) An E&E Pool control total, which is calculated as 0.5% of the total combined salaries of all eligible executive managers and non-union faculty and academic staff within your MAU.

Human Resources will provide specific training on the administration of these pools.

Definition of a Control Total:

A control total is an amount of money that is the sum of all projected increases given to a specific group of individuals. In the example of the Merit Raise Pool, the control total is calculated by taking the full merit percent of each individual's full-time equivalent (FTE) salary and summing all of the projected merit increases to get a total number. In this case, a control total would be established by adding 2.5% of each eligible executive manager's FTE salary at or below \$200,000 with 1% of each eligible executive manager's FTE salary above \$200,000 for a specific unit and totaling those merit amounts. That total becomes the control total for that unit.

Units can choose how to distribute the money in the control total and do not have to give each individual the same amount, as long as they spend the entire amount of the control total in their raise decisions. Due to separate merit pools this year for executive management, Human Resources will be providing training and instruction on the administration of these pools, during the yearly Academic Raise Training scheduled for July 30, 2025 for academic raise administrators within your organization.

Your HR and/or Budget Officers have been invited to the training and will have access to the raise application. They will be able to provide you with the list of eligible executive managers and the controls totals that have been established for the Merit Pool and the E&E Pool.¹

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- 2 When your MAU receives its three distinct pools of monies, you will begin the process of determining how the monies will be distributed within those pools. You, your HR administrator, and other managers (if applicable) evaluate their needs in conjunction with several factors summarized below and discussed in the cover memorandum dated July 22, 2025.

¹ If your unit also has faculty/academic staff employees, this control total will also include faculty/academic staff salaries.

Summary of Factors for Consideration by Raise Pool
Merit Raise Factors <ul style="list-style-type: none"> • Relative merit in performance of their job responsibilities • Relevant criteria pertaining to job expectations • Can take into account: <ul style="list-style-type: none"> ○ Noteworthy contributions ○ Responsiveness to significant demands ○ Work in critical functions ○ Work toward fulfilling strategic imperatives
Equity and Excellence Market (E&E) Raise Factors: <ul style="list-style-type: none"> • Extent to which employee performance is assessed at a consistently excellent level • Employee salary history • Internal unit equity • Relevant external salary market comparisons for similar positions

As it relates to market comparisons, the Office for Institutional Research can provide salary benchmarking data (to the extent data are available) for some executive management positions across the Big Ten and AAU. Please reach out to Bethan Cantwell, Ph.D., at cantwelb@msu.edu for assistance.

For internal equity comparisons, the Cognos BI Salary Comparison Report (HRP1066) can be used to review salaries by job title within and across units. Your HR and/or Budget Officers should be able to provide this report to you.

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- 3** Merit and market raise recommendations are submitted by your HR Administrator or Budget Officer via the raise application, along with special increase documentation (described in a later section), if applicable.

Important Notes:

- Your salary will not be included in your MAU Merit Raise Pool or E&E control totals as your own supervisor will determine your raise separately.
- MAUs are to distribute the entire control total amounts provided. The raise application allows the control total amounts to be exceeded, however, special increase documentation may be required (described in a later section).

Examples

Provided below are examples of two different ways a supervisor could spend their 2.5% merit and 0.5% E&E dollars for executive staff who make at or below \$200,000. In both cases, the total salary pool and the control totals are the same.

Total Salary Pool: \$610,000

Control Totals:

- 2.5% Merit Pool: \$15,250
- 0.5% E&E Pool: \$3,050

Example 1

Employee	Base Salary	Job Title	Job Performance	Merit Dollars	Merit %	E&E Dollars	Market %
Employee 1	\$120,000	Director	Meeting Expectations	\$2,400	2%	\$0	0%
Employee 2	\$150,000	Director	Exceeding Expectations	\$4,775 <small>(\$3,750 + \$1,025)</small>	3.18%	\$1,000	.07%
Employee 3	\$175,000	Assistant Vice President	Exceeding Expectations	\$4,775 <small>(\$4,375 + \$400)</small>	2.73%	\$2,050	1.17%
Employee 4	\$165,000	Assistant Vice President	Meeting Expectations	\$3,300	2%	\$0	0%
Total:	\$610,000			\$15,250	2.5%	\$3,050	.5%

Summary: In this example, the supervisor differentially rewarded performance with the merit monies. The two executives (Employees 1 and 4) whose annual performance reviews indicated a ‘meets expectations’ received a 2% increase. The two executives (Employees 2 and 3) who ‘exceeded expectations’ received a 2.5% increase and a 50% split of the leftover pool monies from Employees 1 and 4.

In this example, the supervisor assessed relevant salary market comparisons and decided to provide 67.21% of the market pool monies to Employee 3 with retention in mind. The remaining 32.79% of the market pool monies were provided to Employee 2 for equity reasons.

Control Totals:

- 2.5% Merit Pool: \$15,520
- 0.5% E&E Pool: \$3,050

Example 2

Employee	Base Salary	Job Title	Job Performance	Merit Dollars	Merit %	Market Dollars	Market %
Employee 1	\$120,000	Director	Meeting Expectations	\$3,000	2.5%	\$0	0%
Employee 2	\$150,000	Director	Exceeding Expectations	\$3,750	2.5%	\$1,000	.07%
Employee 3	\$175,000	Assistant Vice President	Exceeding Expectations	\$4,375	2.5%	\$2,050	1.17%
Employee 4	\$165,000	Assistant Vice President	Meeting Expectations	\$4,125	2.5%	\$0	0%
Total:	\$610,000			\$15,520	2.5%	\$3,050	.5%

Summary: In this example, the supervisor provided a 2.5% merit increase to all executives for meeting or exceeding expectations.

In this example, the supervisor assessed relevant salary market comparisons and decided to provide 67.21% of the market pool monies to Employee 3 with retention in mind. The remaining 32.79% of the market pool monies were provided to Employee 2 for equity reasons.

Note: While the examples illustrate a 2.5% merit pool for executive managers with base salaries at or below \$200,000, the same methodology and distribution approach can be applied to executive managers with base salaries above \$200,000, using a 1% merit raise control total and a 0.5% Excellence & Equity (E&E) control total.

Special Increases and Individual Increases Above the Control Total

- **Special Increase (Optional):** Beyond the provided collective merit control totals of 2.5% or 1.0%, units may choose to further address issues of market, retention, or equity during this time. These increases are to be funded by your MAU. If you wish to allocate raises to your executive team that is collectively greater than the specified 2.5% or 1.0% Merit Raise Pool and .5% E&E Pool for executive managers, prior approval from the Office of the President is required. Requests must be submitted to Amanda Goll at goll@pres.msu.edu.
- **Individual Increases of 10.0% or more:** A total raise adjustment more than 10.0% for a specific individual in the raise application requires a memorandum with rationale/justification to be sent and emailed to Amanda Goll at goll@pres.msu.edu. The memorandum requires a signature from the relevant Vice President (where applicable). The memorandum will be reviewed and, if

approved, a signed copy from the President will be returned to you. The President's Office will forward fully approved memoranda to Human Resources to retain on file.

Key Dates

MAUs have three weeks to make salary adjustment determinations, obtain necessary approvals (if applicable), and enter the raise determinations into the raise application.

- **Monday, August 4, 2025:** Raise Application Opens
- **Friday, August 22, 2025:** Raise Application Closes
- **Tuesday, September 30, 2025:** Raise Letters Distributed