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Cc: [Kirwin, Sean](#)
Subject: FY26 Merit Increase Guidelines - Available Now
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Attachments: [FY26 Merit Increase Program Guidelines.pdf](#)

The following message is being sent on behalf of Sean Kirwin in the HR department:

Hello Senior BA colleagues,

The FY26 Merit Increase Guidelines have been published on the [HR website](#). A copy is attached to this email for your convenience.

The Merit Increase Guidelines contain information regarding merit eligibility and processing, guidance for preparing for merit, and a detailed timeline of merit activity.

If you have any questions, please let me know.

Thank you,
Sean

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The Penn Employee Solution Center is now available to help with your HR/payroll questions. Knowledgeable Center Specialists are available Monday through Friday, during business hours, to answer your questions. The number to call is 215-898-7372 or you may send an email to solutioncenter@upenn.edu.



**UNIVERSITY OF PENNSYLVANIA
FACULTY & STAFF MERIT INCREASE PROGRAM
FY 2026**

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I. MERIT INCREASE PROGRAM

Salary increases for FY26 for continuing faculty and staff are to be funded from each School, Center, or administrative budget.

II. FUNDING PARAMETERS

The University's merit increase program is designed to recognize and reward the valuable contributions of faculty and staff for their demonstrated excellence in teaching, research, and administration by paying market-competitive salaries. At the same time, it is important to note that the proposed and anticipated reductions in federal funding support to higher education makes the implementation of a competitive compensation program both for FY26 and in the future challenging. Depending on the pronouncements and policies of the federal government, further adjustments to Penn's compensation program may be necessary.

The impacts of the rapidly changing higher education landscape on our budgets reinforce the importance of implementing this FY26 program in the most fiscally responsible manner possible. Salary increases should be merit-based and reflect individual performance relative to supervisor expectations and peer contributions. The program is not established to ensure that every individual who is making valuable contributions receives a merit increase equal to the merit pool.

Based on market trends and economic conditions, the University will provide a merit increase pool of **3.0** percent. Presented below are the merit increase guidelines for July 1, 2025.

III. FACULTY MERIT INCREASE GUIDELINES

Below are the standards for faculty increases that the Deans are asked to follow. The Deans will give the department chairs their guidelines at the school level regarding available resources.

- The minimum academic salary for new assistant professors will be \$91,581.
- Merit increases for faculty should be based solely on performance as evidenced by scholarship, research, teaching, and service to the University and the profession.
- The aggregated merit increase pool for faculty will be **3.0** percent. Some schools/centers may have financial constraints that can only support budget growth of less than 3.0 percent. Salary increase recommendations that are below 1.0 percent for non-meritorious performance, as contrasted with general limits applied to an entire class of faculty, must be made in consultation with the Provost. Likewise, salary increases that exceed 5.0 percent must also be made in consultation with the Provost. Deans may wish to give careful consideration to

salary adjustments for any faculty who have a strong performance record, but whose salaries may have lagged behind the market.

IV. STAFF MERIT INCREASE GUIDELINES

1. Merit Increase Pool

The aggregated merit increase pool for staff will be **3.0** percent. The merit increase range is zero to 5.0 percent. Individual merit increases may not exceed 5.0 percent regardless of a staff member's performance rating. It is important to note that any variation of the merit increase pool for a school/center less than a 3.0 percent average must be approved by the Provost and/or the EVP.

Aggregated merit increases within a school/center may not average more than 3.0 percent regardless of staff performance rating distributions; however, increases may average less if a school/center establishes a lower percentage merit pool based on financial constraints.

2. Program Eligibility

Staff in monthly-paid, weekly-paid, or limited-service positions on June 30, 2025 are eligible for the FY26 Merit Increase Program if:

- They were employed by the University on or before **February 28, 2025**, and
- Their time type is full-time (including phased retirement) or part-time

Staff members hired into the University after **February 28, 2025** are not eligible for merit increases until the FY27 Merit Increase Program.

Frequently Asked Questions about Program Eligibility

An employee is terminating on or before June 30. Are they eligible for a merit increase?

No. The employee must be removed from your merit file. Contact the [Penn Employee Solution Center](#) to request the removal.

An employee is terminating on or after July 1. Are they eligible for a merit increase?

Yes. The FY26 Merit Increase Program recognizes and rewards performance from the FY25 fiscal year.

An employee is on phased retirement. Are they eligible for a merit increase?

Yes.

An employee is on paid medical leave and in University paid status. Are they eligible for a merit increase?

Yes. See section 7 – *Staff on Leaves of Absence*.

An employee received a promotion or reclassification/salary adjustment in FY25. Are they eligible for a merit increase?

Yes. An employee's having received a promotion or reclassification/salary adjustment does not factor into the merit increase percentage awarded to them.

The following groups are **not** eligible for the FY26 Merit Increase Program (see comprehensive list on page 10):

- Student workers, contingent workers, temporary workers
- Interns and residents
- Postdoctoral trainees
- Employees on unpaid leaves of absence
- Employees on long-term disability
- Staff who are covered by collective bargaining agreements

Allowance Plans, One-Time Payments, and Period Activity Pay are not included in base salary for purposes of merit increase planning.

3. Performance-based Increases

The merit increase program is designed to recognize and reward performance within the parameters of the merit increase budget. The foundation of this program is the Performance Review in Workday, which documents each staff member's performance and contributions and establishes performance goals for

the new year. Performance expectations should be raised each year as staff grow in experience and job proficiency.

Merit increases should correlate to performance ratings. Supervisors should strive for differentiation, using the full rating scale to reinforce a culture of excellence and growth. Performance ratings and merit increases should reflect a normal bell-shaped distribution for all staff:

- **If performance meets expectations, it does not automatically trigger a merit increase equal to the merit pool.** Schools/Centers have the discretion, for example, to determine that meets expectations for their school/center will receive a set percentage less than 3.0 percent, to allow for funding to reward staff who have exceeded expectations.
- **If performance does not meet expectations, no increase should be awarded.** Staff currently on performance improvement plans are not eligible for delayed merit increases.
- The merit increase program does not include bonuses, the same as in prior years.

All staff members must receive a Performance Review for the next review cycle whether or not they receive merit increases. Schools/Centers are requested to submit Performance Reviews in Workday by June 13, 2025. The Division of Human Resources, Staff and Labor Relations (215-898-6096) is available to discuss performance management issues.

The Division of Human Resources, Compensation (215-898-1317) is available to discuss specific merit increase parameters with schools/centers.

4. Staff with Salaries/Hourly Rates Above Job Profile Maximum

Schools/Centers may provide staff members whose salaries/hourly rates are above the range maximums for their job profiles with lump sum payments, in lieu of base pay merit increases. The lump sum payments may be within the range of **0** to **5** percent of their FY25 salaries, based on performance.

It is important to remember that all increases, whether to base pay or as lump sum payments, may not exceed the 3.0 percent budgeted salary increase for a school/center. All salary increases and lump sum payments must be based on staff members' performance contributions.

Lump sum payments are processed in Workday using the One-Time Payment business process and selecting "Lump Sum Salary Increase."

5. **Limited-Service Staff**

Limited-service staff paid over 12 months will appear in school/center merit reports. Limited-service staff who work 9 or 10 months, and who are paid over 9 or 10 months, will not appear in merit reports if their merit plans were removed. The effective date of any increases they may receive will be the first day of their return to work. Schools/Centers should contact the Division of Human Resources, Compensation to facilitate this process.

6. **Job Changes/Supervisory Organization Transfers**

University staff members who have changed jobs or who have transferred to different supervisory organizations in FY25 are eligible for July 1 merit increases. However, staff members in non-merit eligible job profiles (see page 10) who transfer to merit-eligible job profiles after **February 28, 2025** are not eligible for FY26 merit increases.

Merit increases cannot be combined with salary increases resulting from promotions or reclassifications/salary adjustments. Merit eligible staff being promoted/reclassified effective July 1 or later receive their **merit increase first** and then their **promotion/reclassification second**. *Promotions effective July 1 or later must be initiated and completed in Workday after July 1 but prior to the close of monthly payroll for which the promotion is effective.* If a promotion effective July 1 or later is initiated in Workday before the merit increase submission, it will be overridden by the merit process and will need to be re-initiated in Workday after July 1.

FY25 Compensation Changes and the following Change Job business processes must be completed and approved in Workday no later than [May 11, 2025](#) and have effective dates on or [before June 8, 2025](#).

- Compensation Change
- Promotion
- Demotion
- Transfer
- Change Job Details
- Supervisory Organization changes

Schools/Centers that miss the [May 11, 2025](#) deadline should contact their [Compensation Partner](#) for guidance.

7. Staff on Leaves of Absence

A. Paid Medical Leave

Staff members who are on **paid medical leave prior to July 1 may be eligible to receive merit increases** based on performance effective July 1 as long as they are in University paid status. Paid status is defined as:

- Staff member is receiving pay through the use of their sick, vacation, and, if applicable, short-term disability balances,
- Staff member's salary continues beyond July 1 based on combined sick, vacation, and short-term disability balances

In the event that a staff member receives an increase through the Merit Increase Program while they are receiving short-term disability payments at 75% of base salary, the July 1 merit increase will be based on the 75% rate until they return from leave, at which point the merit increase will be reflected in their base salary at 100%.

B. Unpaid Leave

Staff members who are on **unpaid leaves may be eligible for merit increases based on performance upon returning to work**. The effective date of the increase may be no earlier than the date of the staff member's first day back to work. Schools/Centers should contact the Division of Human Resources, Compensation to facilitate this process.

C. Workers' Compensation

Staff members who are on **Workers' Compensation prior to July 1 are not eligible** for merit increases while receiving pay through Workers' Compensation. The effective date of the increase may be no earlier than the date of the staff member's first day back to work.

8. Average Merit Increase by School/Center - Review

To ensure adherence to the Program parameters, the Division of Human Resources, Compensation completes a detailed analysis of the increases awarded to eligible staff during the Merit Increase Program. A comparison of individual staff members' salaries before and after merit increases will yield the average percentage increase for a school/center. The results of this analysis are reported to University senior leadership including the President, Provost and Senior EVP. Note the analysis excludes zero percent increases awarded for reasons other than does not meet expectations performance and the financial constraints of a school/center.

V. PROCESSING

1. Workday Training

Workday training for the Merit Increase program begins on May 5. Merit Planners responsible for proposing merit increases for eligible staff must complete training via Workday Learning. The training provides instruction on the processes and procedures involved in proposing, submitting, and approving staff merit increases. Additional support is also available in the form of:

- Tip Sheets
- Supplemental Guidance
- Merit Planner virtual office hours
- Information published in the Workday@Penn Digest
- Penn Employee Solution Center
 - (215) 898-7372
 - solutioncenter@upenn.edu

2. Pre-processing Audits

To ensure that all eligible staff and academic workers are included in their merit reports, and that all merit increases are processed appropriately, schools/centers are responsible for running the following reports in Workday and making all necessary changes:

- Merit Eligibility Audit for Staff and Academic Workers
- Merit Eligibility Audit - Employees with Mismatched Merit Plans that Require Removal

Merit eligibility audit reports can be accessed on the Workday home page within the Compensation Review dashboard, or by typing the above report names into the Workday search bar.

All changes must have received final approval in Workday by May 11, 2025.

3. Processing Merit Increases in Workday

The Merit Increase Program opens on May 12 and Merit Planners may begin entering increases for eligible faculty and staff.

Merit-eligible employees receiving zero-percent increases based on performance should **not** be deleted from a school/center merit report. Merit reports include a *Notes* column, which Merit Planners must use to provide information on why no increase was awarded.

4. Internal Merit Planning Submission and Approval Timelines

To ensure Merit Increase Program deadlines are met, each school/center is responsible for establishing a timeline, as well as coordinating internal workflows and processes, for its own merit planning and management activities. This includes running audit reports in Workday and making necessary changes **prior to** the opening of the Merit Increase Program. Schools/Centers should communicate this timeline to their leadership and Merit Planners and follow up appropriately to ensure completion of all internal activities before official submissions are due in Workday.

5. Notification of Salary Increases

Individuals should **not** be notified of their increases until the salary increases have received final approval from the Senior Administrator in each school/center. All merit increases will have an Employee Visibility Date of July 1, 2025. On July 1, 2025, all staff receiving a merit increase will receive a letter in Workday informing them of their FY26 salaries.

VI. WHERE TO GO FOR ASSISTANCE

<u>Questions</u>	<u>Office</u>
<ul style="list-style-type: none">• Merit Increase Program	Penn Employee Solution Center 215-898-7372 OR School/Center Human Resources
<ul style="list-style-type: none">• Faculty Compensation	Penn Employee Solution Center 215-898-7372 OR School/Center Faculty Affairs
<ul style="list-style-type: none">• Job Performance Issues• Performance Management in Workday	Division of Human Resources, Staff & Labor Relations 215-898-6093

VII. APPENDICES
APPENDIX A

FY26 Merit Increase Program Timeline

February 28	➤ Last new hire date eligible for Merit Increase Program
April 1	➤ Workday Performance OPENS for entering Performance Reviews. ➤ Information from completed mid-year reviews will be viewable.
April 15	➤ FY26 Merit Increase Guidelines available on the Penn HR website
May 5	➤ Workday Merit Increase Planner Training begins
May 11	➤ Changes to Staff and Academic Merit Plan Assignments for FY25 and/or changes to Compensation Plan End Dates must be approved in Workday by 11:59 p.m. ➤ Change Job business processes must be approved in Workday by 11:59 p.m. and must have effective dates no later than June 8.
May 12	➤ Merit Process OPENS in Workday
June 6	➤ School/Center Merit submissions DUE in Workday.
June 13	➤ Performance Reviews in Workday to be completed (including acknowledgement by both staff member and their manager) by 11:59 p.m.
June 9 – June 30	➤ Compensation Changes and Change Job business processes cannot have effective dates during this period
July 1	➤ Effective date of merit increases for exempt (monthly-paid) staff, academics, and non-exempt (weekly-paid) staff. Closing schedule available at: https://www.finance.upenn.edu/payroll-taxes/payroll-schedules/ (PennKey required) ➤ Eligible staff can view in their Workday record their auto-generated merit letter and their merit increase.
July 4	➤ First weekly pay for non-exempt staff for pay period ending 6/29/25 - reflects FY25 (6/23 - 6/29) hourly rate
July 11	➤ First weekly pay for non-exempt staff for pay period ending 7/6/25 - reflects FY26 hourly rate
July 31	➤ First monthly pay for exempt staff and academics reflects FY26 merit increase

Merit Increase Program User Guidelines

Compensation Plan Dates:

Begin dates for FY26	Exempt Faculty & Staff	(monthly)	7/01/2025
	Non-Exempt Staff	(weekly)	7/01/2025

- In Workday, all merit increases are effective on July 1, 2025 regardless of a worker's pay group.
- Costing allocations do not need to be updated for faculty and staff whose costing allocations have no end date.
- Costing allocations must be updated beyond June 30, 2025 for faculty and staff whose costing allocations have end dates; otherwise, Workday will apply the default costing allocations.

Eligible Employees:

Faculty and staff in monthly-paid, weekly-paid, or limited-service positions on June 30, 2025 are eligible for the FY26 Merit Increase Program if:

- They were employed by the University on or before **February 28, 2025**, and
- Their time type is full-time (including phased retirement) or part-time

Ineligible Employees:

- Employees hired on or after March 1, 2025
- Employees terminating on or before June 30, 2025
- Employees who move from non-merit eligible to merit eligible job profiles on or after March 1, 2025.
- Student workers, contingent workers, temporary workers
- Interns and residents
- Postdoctoral trainees
- Staff who are covered by collective bargaining agreements
- Employees on unpaid leaves of absence
- Employees on long-term disability
- Faculty Early Retirement, Emeritus, Secondary Appointment, Part-Time Lecturers

Sample Notifications

1. WORKDAY AUTO-GENERATED MERIT LETTER

Dear _____:

In recognition of your performance over the past year, you will receive a merit increase based on your current salary. Your FY26 salary will be \$_____. This new salary will take effect on July 1, 2025.

Thank you for your continued support of (supervisory org) and the University of Pennsylvania.

Sincerely,
(Immediate Supervisor)

2. SUPERVISOR NOTIFICATION OF NEW SALARY

Dear _____:

In recognition of your performance contribution over the past year, your increase is _____%, which is reflected in your new annual salary for 2025-2026 of \$_____, or \$_____ per (week, hour or month).

Thank you for your contribution toward meeting the goals of our department and the University of Pennsylvania.

Sincerely
(Immediate Supervisor)

Reminder: Individuals should NOT be notified of their new rates until the salary increases have received final approval from the Senior Administrator in each School/Center.

3. PERFORMANCE REQUIRES IMPROVEMENT

To: (Staff Member)
From: (Supervisor)
Subject: Performance Requires Improvement
Date:

Over the past year, your performance has not consistently met the expectations of your position. Specific areas needing improvement were outlined in your Spring 2025 Year-End Performance Review.

An action plan addressing these areas has been developed, including defined timeframes and expected outcomes. Your progress will be monitored over the next _____ months. I expect that your performance will improve during this period, and I welcome the opportunity to work with you during this time.

Approved by (Dean, VP, Head of Unit or Center)

cc: Division of Human Resources, Staff and Labor Relations
Dean, VP, Head of Unit or Center