

LFUCG Proposed Compensation Policies and Procedures

**Draft Policies and Procedures
Council Work Session
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This manual is a supplement to the September 9th presentation titled, “Division of Human Resources Compensation Study Implementation Update”. It details and further explains the proposed compensation policies and procedures.

Proposed Policies and Procedures

- ◆ Compensation Philosophy
- ◆ Hiring
- ◆ Reclassification
- ◆ Promotion
- ◆ Demotion
- ◆ Lateral Movement
- ◆ Temporary Appointments and Acting Assignments

Compensation Philosophy

The objective of the LFUCG in undertaking a comprehensive compensation and classification review includes the expressed outcome to attract, reward and retain qualified employees who can help achieve its mission. To do so, the LFUCG must have a total compensation program that:

- attracts and retains a high-quality and diverse workforce,
- rewards and retains qualified employees,
- provides a fair and consistent framework for assigning jobs,
- maintains salary structures at market competitiveness,
- ensures fair and consistent pay practices,
- complies with applicable laws and regulations,
- operates within the constraints of fiscal resources, and
- allows the organization to be an employer that inspires excellence.

The LFUCG's compensation philosophy embraces the following points:

1. The LFUCG strives to provide a total compensation program that is equitable and competitive among all peer and competitor institutions in the defined marketplace.
2. Benchmarking of classifications is used as a best practice for compensation of similar positions.
3. Starting pay for new employees is based upon education and work experience related to position requirements as well as market conditions and divisional or departmental needs.
4. Pay adjustments are provided to employees when appropriate to address equity, market responsiveness, and consistency in the administration of the LFUCG's compensation program.
5. Employees are eligible for pay increases resulting from true promotions and reclassifications not associated with an organization-wide study.
6. Part-time/temporary employees may not be eligible for the same benefits as full-time employees.
7. Fair Labor Standards requirements will be consistently and fairly applied to applicable positions.
8. Benefit plans and other non-cash compensation are reviewed annually for competitiveness, cost effectiveness and their value to the employees of the LFUCG.
9. To ensure that the compensation structure remains competitive, the overall compensation structure is reviewed annually. Pay ranges for benchmark job groups established in this study are reviewed on an ongoing basis and as needed, but not less than every three years.

Hiring

1. The hire rate for a new employee with no equivalent and relevant level experience is the entry rate of the salary range to which the job classification is assigned.
2. New employees, whose experience and credentials can be verified, may be placed in the range according to their experience, educational credentials and certification. Human Resources shall assist the hiring department in determining a fair and equitable hiring rate based on an analysis of the credentials, experience and education of the applicant, the needs of the department, and the difficulty of recruitment for the open position.
3. New hiring rates (or re-hires) may consider directly relevant experience and experience that can be verified by Human Resources.
 - Starting salaries may be considered based on the length of the experience on a one year of service credit for two (2) years of prior documented similar experience, up to a maximum of seven (7) years of service credit for prior documented similar experience.
 - The documentation will be reviewed by the Human Resources' staff for determination of applicability to the job vacancy. Credit will only be allowed for substantially equivalent or related experience in a directly related field of work.
 - For documented hard-to-fill positions, the Human Resources Director may exercise discretion and flexibility beyond the seven (7) years of prior service credit.
 - Target salaries for hiring can be determined by Human Resources by entering data on prospective employees into the *Classification Manager*© software program and using essentially the same formula to determine a target hiring salaries as MAG has recommended for determining the target salary for existing employees.
4. Human Resources may additionally consider current salary if the open position is determined to be a "hard to fill" position. "Hard to fill" positions will be determined by Human Resources and will be based on the length, difficulty to recruit and market conditions of the position, at the time of a vacancy. Some consideration can allow for discretion in offering pay to the midpoint of the range. In exceptional circumstances, Human Resources may request and the CAO may approve a rate beyond the midpoint in the range, but not to exceed the maximum.
5. Internal Equity is an equally important consideration in filling a vacant position. Before a salary offer is made, Human Resources will also consider the current salaries and length of service in the same job class of current incumbents in the hiring division. It is the policy of the LFUCG to make every effort to avoid inverted salary relationships by bringing in newly hired employees at a salary or rate that exceeds the current salaries of comparably placed existing employees in substantially equivalent positions.

Policy:

If a new hire's salary were to create an internal equity issue with others in the division or a salary compression issue with the supervisor, then a plan to remedy such salary issues needs to be approved before offering the salary to the new hire. A new hire's salary above the adjusted amount for experience credit, must be approved by the HR Director. A new hire's salary above range Midpoint needs to be carefully considered for exceptional circumstances and must be approved by the CAO.

EXAMPLE:

Job Classification: *Equipment Operator Senior 614/512*
Minimum Requirements: *2 year(s) of related experience and 12 years of education.*

	Min	Mkt	Mid	Max
FY15 Proposed Pay Range:	\$ 31,827	\$ 38,192	\$ 39,784	\$ 47,740
Market Zone				
Per-year rate based on 30-year scale for employees in this grade:	\$ 530			

	Years of Education	Years of Related Experience
Verified:	12	7
Minimum:	<u>12</u>	<u>2</u>
Difference:	0	5
		Mercer using
		FY13 Scale: \$ 30,106 *

*In this case offer was capped at \$27,092 to prevent inversions. Offer was declined.

Step 1. Calculate Experience Credit:

<i>Total verified years beyond minimums(5) divided by two (2) =</i>	2.50
<i>Add years of education beyond minimums =</i>	<u>0.00</u>
	2.50
	(Capped at 7 Years)

Step 2. Calculate Experience Adjustment to Minimum:

Experience credit (2.5) X Per-year rate based on 30-year scale (\$530) = \$ 1,326

Step 3. Calculate Adjusted Offer:

Pay grade minimum (\$31,827) + Experience Adjustment (\$1,326) = \$ 33,153
Recommended Offer

Step 4. Documentation:

List of employees in same job classification or performing a similar kind and level of work in the Division, with qualifications and pay rate. If the new hire salary is above the recommended offer, then specific justification should be documented and submitted for consideration as detailed below.

Step 5. Level of Approval Required:

		<i>From</i>	<i>To</i>
1. Hiring Division	Grade Minimum - Recommended Offer	\$31,827	\$33,153
2. HR Director	Greater amount up to Midpoint	\$33,154	\$39,784
3. HR Director and CAO	Greater amount up to Maximum	\$39,785	\$47,740

CLASSIFICATION COMPARISON (WITHIN DIVISION)

Hire Date	Job Title	Annual	Experience Date	Years	Approvals*
2/12/1990	Equipment Operator Sr	41,611	6/22/1998	16.19	3
1/24/2005	Equipment Operator Sr	41,611	1/24/2005	9.61	3
12/12/2005	Equipment Operator Sr	41,611	12/12/2005	8.72	3
11/20/1989	Equipment Operator Sr	41,590	12/8/1997	16.73	3
9/12/1988	Equipment Operator Sr	41,590	3/4/2002	12.49	3
11/9/2009	Equipment Operator Sr	40,518	3/5/2012	2.49	3
2/28/2000	Equipment Operator Sr	39,602	2/28/2000	14.51	2
7/29/2002	Equipment Operator Sr	39,602	7/29/2002	12.09	2
9/10/2012	Equipment Operator Sr	39,602	9/10/2012	1.98	2
3/10/1998	Equipment Operator Sr	39,458	2/14/2000	14.55	2
2/5/1996	Equipment Operator Sr	39,173	8/28/2000	14.01	2
3/27/2000	Equipment Operator Sr	38,033	10/21/2002	11.86	2
10/21/2002	Equipment Operator Sr	38,033	10/21/2002	11.86	2
4/21/2003	Equipment Operator Sr	37,769	4/21/2003	11.36	2
6/17/2002	Equipment Operator Sr	37,296	2/6/2006	8.57	2
12/11/2006	Equipment Operator Sr	37,296	12/11/2006	7.73	2
7/26/2004	Equipment Operator Sr	37,098	7/26/2004	10.10	2
6/5/2000	Equipment Operator Sr	36,487	9/19/2005	8.95	2
7/24/2006	Equipment Operator Sr	36,040	7/24/2006	8.11	2
3/31/2008	Equipment Operator Sr	35,144	3/31/2008	6.42	2
2/19/2013	Equipment Operator Sr	34,697	2/19/2013	1.54	2
9/10/2012	Equipment Operator Sr	32,489	4/1/2013	1.42	1
11/9/2009	Equipment Operator Sr	32,263	9/30/2013	0.92	1
3/5/2012	Equipment Operator Sr	31,827	7/1/2013	1.17	1

- *Approvals 1 Hiring Division
- 2 HR Director
- 3 HR Director and CAO

Offer Options

New Hire Calculated Rate	<i>\$33,153</i>
Offer to Midpoint (Approved by HR)	<i>\$33,154—\$39,784</i>
Offer between Midpoint and Maximum (Approved by HR and CAO)	<i>\$39,785 --\$47,740</i>

Reclassification

Each position is classified based on its function, responsibility and other elements of job content. A position reclassification is the assignment of a new job title and/or grade to an existing position, either filled or vacant. A position audit usually based on the information obtained through a Job Analysis Questionnaire (JAQ) completed by the employee and verified and validated by the immediate supervisor is required to initiate a review by Human Resources in order to change the title and/or pay level of an existing position. A change in a position's duties and responsibilities does not necessarily dictate a change in the position's pay level.

When a Commissioner requests a reclassification, he/she needs to submit to the Director of Human Resources: 1) a memo stating the reasons for the request and other relevant information regarding the position; 2) a completed JAQ with appropriate signatures; and 3) an organizational chart. JAQs will be evaluated by Human Resources and recommendations for support or denial will be provided to the Chief Administrative Officer for consideration. If the Commissioner does not concur with the recommendation, he/she may request further analysis of any reclassification.

Throughout the year, department heads may submit through Human Resources a request for review of a position(s) in their department, including a completed JAQ for the position, as a result of extenuating circumstances outside of the annual budget process. The Director of Human Resources or his/her designee will review such request(s) and provide recommendations of support or denial to the Chief Administrative Officer. If a reclassification is approved by the Chief Administrative Officer, the Director of Human Resources will direct appropriate actions to be taken based on the full review of all related factors, including budgetary funding. Any reclassification (reassignment) of a job title to a higher or lower grade or range in LFUCG's Compensation Plan must be approved by the Council prior to becoming effective.

Possible Outcomes:

1. When a job has been reclassified to a higher pay grade, the employee(s) salary shall increase at least 7% but not less than the minimum salary of the new pay grade.
 - If the reclassification results in an upgrade of one pay grade, the pay raise will be at least 7%.
 - An upgrade of two or more pay grades will be eligible for an additional 3% increase the next pay grade and 2% for each additional pay grade.
2. When a job has been reclassified to a lower pay grade, the affected employee(s) shall have their pay grade adjusted accordingly; however, the pay shall not be adjusted. The effective date will be the beginning of the next pay period following Council approval.
3. If, after the pay grade adjustment, the employee(s) salary is greater than the maximum salary of the new pay range, the employee will continue to be paid at the higher rate of pay pursuant to state statute.

Promotion

1. When an employee is promoted, as a result of a job change or job progression, to a higher pay grade position, the salary placement within the new pay grade shall be determined as follows: apply 7% on the salary of the previous grade for promotions of one pay grade, an additional 3% for the next pay grade and 2% for each additional pay grade. The resulting pay will be no less than the minimum of the new pay grade and no less than a 7% salary increase but not more than the maximum salary of the assigned pay grade.
2. Human Resources may additionally consider current salary if the open position is determined to be a “hard to fill” position. “Hard to fill” positions will be determined by Human Resources and will be based on the length, difficulty to recruit and market conditions of the position, at the time of a vacancy. Some consideration can allow for discretion in offering pay to the midpoint of the range. In exceptional circumstances, Human Resources may request and the CAO may approve a rate beyond the midpoint in the range, but not to exceed the maximum.

Policy:

When an employee is promoted, as a result of a job change or job progression, to a higher pay grade position, within the same, or to a different, salary schedule, the salary placement within the new pay grade shall be determined as follows: apply 7% on the salary of the previous grade for promotions of one pay grade, an additional 3% for the next pay grade and 2% for each additional pay grade. The resulting pay will be no less than the minimum of the new pay grade and no less than a 7% salary increase but not more than the maximum salary of the assigned pay grade. There may be times when the uniqueness of an individual job and level of necessary skills may require a higher salary schedule placement than stipulated in this section. Under such circumstances, the Human Resources Director may recommend a higher salary placement within the assigned pay grade.

EXAMPLE:

Step 1. Compare Pay Grades:

	Mercer	MAG
Current Grade (Public Service Worker Sr.) =	107	509
New Grade (Equipment Operator Sr.) =	109	512
Grade Difference=	2	3

Step 2. Calculate Salary:

FY2015 Proposed salary =	\$28,768
7% for one pay grade, 3% for the next and 2% for each additional pay grade (3 grades)=	12%
	<u>\$32,220</u>

	Min	Mkt	Mid	Max
FY15 Proposed Pay Range:	\$ 31,827	\$ 38,192	\$ 39,784	\$ 47,740
	Market Zone			

\$32,220
Recommended Offer

Step 2. Level of Approval Required:

		<i>From</i>	<i>To</i>
1. Hiring Division	Recommended Offer	\$32,220	\$32,220
2. HR Director	Greater amount up to Midpoint	\$32,221	\$39,784
3. HR Director and CAO	Greater amount up to Maximum	\$39,785	\$47,740

Mercer using \$ 36,317 *

**In this case offer was capped at \$30,254 to prevent inversions. Minimum offer would have been current salary \$26,204 + 10% = \$28,825.*

Demotion

1. A demotion occurs when an employee changes from one job class to another and the new job class is in a pay grade that is less than the origination pay grade. In most cases, when a demotion occurs, the incumbent can expect that his/her pay will be reduced commensurate to the reduction in pay grade. Typically, unless the demotion is for the good of the LFUCG, there will be a 7% reduction in salary for the first pay grade, 3% reduction for the next grade and a 2% reduction for each additional pay grade, but no more than the minimum of the new pay grade to which the new job class is assigned.
2. Demotions can occur for several reasons:
 - Demotion requested by an incumbent: In some cases, an incumbent will request a demotion to a different job class in a lower pay grade or apply and compete for a position in a lower pay grade. The reduction in salary would be handled as outlined above.
 - Demotion for disciplinary reasons: The reduction in salary would be handled as outlined above.

Lateral Movement

1. A lateral transfer occurs when an employee is transferred to another position in the same classification. Since there is no change in pay grade there shall be no adjustment in base salary. A lateral transfer is not considered a reclassification or a promotion.
2. A lateral move occurs when an employee accepts a position in a new job class which is in the same pay grade as their current job class. Since there is no change in pay grade, there shall be no adjustment in base salary.

Temporary Appointments and Acting Assignments

1. Acting assignments and temporary appointments occur when the LFUCG recognizes a critical job assignment need that must be met and cannot be met through the normal recruitment process. This can happen when an unexpected vacancy exists or in the event of a prolonged absence.
2. An acting assignment occurs when duties must be assumed in the event of an absence of an employee. A temporary appointment is to fill a vacancy and not to assume the duties of another employee who is on leave.
3. If the position assigned is lower in pay grade, this assignment would not result in a lower salary for the assigned employee.
4. If the position assigned is higher in pay grade there should be a 7% pay adjustment for the first pay grade, 3% adjustment for next pay grade and 2% for each additional pay grade, not to exceed the maximum of the assigned range.
 - Pay for acting assignments may begin when the absence of the employee exceeds fifteen (15) working days.
 - Pay for temporary appointments may begin upon the vacancy, not to exceed ninety (90) days. Employees receiving temporary appointment pay shall sign an agreement acknowledging the understanding that they are receiving “Temporary Appointment Pay” and also acknowledging understanding that when the temporary appointment ends, the “appointment pay” will also end.