Staff Compensation Committee Recommendations for the 2014-2015 Academic Year

This year, the compensation committee has decided to focus our recommendations less on what the overall pool sizes should be, and more on how we think the funds should be allocated. We will still comment briefly on pool size, but this will not be the core focus of the recommendations. For clarity, we have separated our recommendations into two sections, Merit Pay Recommendations and Other Recommendations.

Overall Recommendations:

- **All acceptably performing staff members should receive a flat-dollar increase to base pay to represent an increase in the Cost of Basic Goods and Services (CoBGS).**
- **Award additional merit increases to base pay of staff earning the top two performance rating categories.**
- **Adjust how CoBGS is calculated to be more consistent year-after-year.**
- **The performance rating categories should be renamed to more clearly reflect staff performance.**
- **Increase the college's contribution to retirement funds to 10% of annual salary.**
- **Explore the cost and feasibility of implementing "tiers" within staff positions.**

Section 1 – Merit Pay Recommendations

Regardless of the amount allocated for staff salary raises this year, our recommended priority for allocating those funds are:

- **All acceptably performing staff members should receive a flat-dollar increase to base pay for the Cost of Basic Goods and Services (CoBGS).**
- **Award additional merit increases to base pay of staff earning the top two performance rating categories.**
- **Adjust how CoBGS is calculated to be more consistent year-after-year.**

Discussion

We feel strongly that the best way to apply the CoBGS model is for every staff member who performs at an acceptable level to receive a flat-dollar base salary increase in response to the increase in the cost of basic goods and services each year. A percentage-based merit increase would then be awarded to those ranked in the two highest performance groups. Reasons for these recommendations include:

- An across-the-board increase for all acceptably performing staff members is designed to represent a CPI-based increase in cost of basic goods and services - something which impacts all staff members equally.
- This approach slightly dampens the exponentially growing difference between the lowest and highest salaries associated with merit-only models, while causing less compression than the "floor" model used last year.

    - Superior performance across all bands is rewarded in a meaningful way, including higher dollar amount increases for those in higher bands.
    - Staff members in lower bands receive higher percent increases to base pay as part of the CoBGS adjustment.
- The “floor” model as used last year may disincentivize those in the lowest bands from aspiring to the highest levels of performance due to the lack of difference between the merit categories – effectively defeating the purpose of a merit-based pay system (see Appendix A).
    - Nearly 50% of staff members who received a rating of “Strong” in 2012-2013 received the $1,000 floor increase
- The “floor” model is potentially less responsive to changes in CoBGS as it is arbitrarily set, not calculated as a function of CPI.

This year, we also recommend a slight change to the CoBGS calculation. Instead of using the hourly rate of the lowest paid employee, we propose changing the base salary figure to the minimum hourly rate at CC (the base of band 1). This is a relatively minor change, but would add consistency year-to-year since the lowest paid employee may not always make the minimum hourly rate.

The proposed calculation is then (CoBGS = CPI x minimum hourly rate of band 1 at CC x 2080 work hours). For example, last year was 0.0258 x 11.63 x 2080 = $624. The new calculation (using last year’s CPI) would be 0.0258 x 11.06 x 2080 = $594.

We discussed changing the CPI measure to match the calendar year (Jan - Dec) instead of what has been used the past few years (Sept - Aug). This is because the new pay for performance system is not linked to CPI, which will now only be used to calculate the cost of basic goods and services (CoBGS) raise for staff. This calculation should occur around February, and will result in a flat dollar amount that represents CoBGS.

* Note that 2014-15 will be the third year of the new staff salary system, and so continued adjustments for market and compression will occur as additional money outside the salary pool, thus we do not need to include those in our priorities.

Section 2 - Other Recommendations

The Compensation Committee Staff Subcommittee further recommends:

- **The performance rating categories be renamed to more clearly reflect staff performance.**
- **Increase the college’s contribution to retirement funds to 10% of annual salary.**
- **Explore the cost and feasibility of implementing “tiers” within staff positions.**

Discussion

Performance Categories: In the first year of the new pay for performance system (last year), the committee recommended 4 categories for overall performance and estimated approximately how much of the CC community we'd expect to fall into each category. This structure included two top-performing categories (Exceptional and Strong) and two under-performing categories (Needs Improvement and Unacceptable). The categories as well as projected and actual distribution of ratings can be found in Table 1, below.

Table 1: 2013-14 Performance Rating Categories

Category	Esimated in recommendation	Actual
Exceptional	20% of staff	27% of staff
Strong	70% of staff	69% of staff
Needs Improvement	9% of staff	4% of staff
Unacceptable	1% of staff	0% of staff

Based on feedback gathered by Human Resources and from our own experience with last years' process, we recommend the following changes to the performance rating categories:

- *Discontinue "unacceptable" rating.*
    - We see no need to have two under-performing categories. We feel that staff members falling into this rating should either be "coached up" to acceptable performance or "coached out" of the College's employ. Additionally, in the model used last year, this category was not assigned as a rating for any staff member.
- *Add a new category between "needs improvement" and "strong".*
    - The subcommittee feels strongly that the lack of rating between these two categories misrates a significant number of staff members, likely skewing the ratings upward. We suspect that if given the option, a significant number of supervisors would have preferred to rate certain members of their staff something to the effect of "Meets Expectations".
    - We feel that there is an approving connotation to a "strong" rating and suspect that this rating was assigned to staff members who more accurately fit a "Meets Expectations" rating. As supervisors, many of us felt conflicted assigning a rating of "Strong" to staff members whose actual performance met expectations, but only just.
- *Change the names and projected distribution of the categories.*
    - To avoid confusion, unfounded continuation, or unnecessary discouragement with the rating categories, we suggest that all rating categories be re-named. Particularly the "strong" rating that so many received last year.
    - For example, in 2012-2013 someone performing consistently in their duties should have received the rating of "strong". If the categories were renamed

"needs improvement, good, strong, and exceptional" for the 2013-2014 evaluation period, this same level of performance would receive a rating of "good". We foresee this causing the impression that the staff member went down in rating.

In response to these recommendations, we propose the following ratings be used: A, B, C, D. By taking out adjectives altogether, we feel there is more clarity and less room for misinterpretation (and we are an educational institution, so it seems appropriate).

Regarding distribution, we feel it is important that the two top categories, A and B, represent less than half of the staff in order to preserve meaningful differences in the raise amounts between the categories – as reflected in Table 2, below.

We also feel that careful consideration be given to the ratings selected as to avoid the appearance of assigning value to a person rather than their performance, therefore other suggestions for categories names were discussed. These included:

- Needs Improvement, Good, Better, Best
- Needs Improvement, Strong, Very Strong, Exceptional
- Needs Improvement, Meets Expectations, Strong, Exceptional
- Needs Improvement, Good, Great, Exceptional
- 1, 2, 3, 4

Table 2: Recommended 2014-15 Rating Categories and Distribution Goals

Category	**Estimated**
A	15%
B	25%
C	55%
D	5%

Retirement Contribution

The college currently contributes 9.3% of salary to match employees' 5% contribution to a retirement fund. The college contribution is the same for both faculty and staff. Some years ago, there was discussion of increasing this contribution, but in the wake of the economic downturn this did not happen. Last year's compensation committee recommended that "the college re-commit to the goal of achieving a two-for-one match in the college's retirement plan for both staff colleagues and faculty members". As this year's committee, we concur with this goal.

We recommend that research be done to gather a complete set of statistics on what the college's 17 peer institutions contribute to retirement. Preliminary data gathered on comparable institutions indicates that CC is well behind the average at other schools, and probably near the bottom in terms of its contribution.

Based on this preliminary data, we recommend the college commit to increasing its contribution to retirement funds to 10% within about three years. This would require a relatively modest allocation of funds to the benefit pool to cover the additional expense. To estimate this expense, we calculate that 0.7% of faculty and staff salaries this year is $300,000. So to go from 9.3% to 10% college match in about three years would require an additional allocation to the benefit pool of about $100,000/year for three years.

Tiers within Positions

We continue to strongly recommend that as part of the new staff compensation system, tiers within positions (level 1, level 2, level 3) be created so that staff have a career path and a method to move up within the salary band of their position. This is consistent with the adopted compensation philosophy; specifically this pillar of the philosophy: "Promotes performance excellence and encourages career development and advancement by rewarding achievements and outcomes."

We understand and agree with finishing the compression and market adjustments first, but recommend that tiers within positions be the next part of this effort.

Respectfully submitted by the staff of the 2013-14 compensation committee.

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Appendix A

These charts are samples based on the current estimated CPI and assumptions of merit raise amounts. They are intended only to show the difference between the CoBGS + merit model, and the “floor” model:

Assumptions for example calculation purposes

- 9/12 - 9/13 CPI is 1.5%, so CoBGS would be appx. $345
- Merit raises are 4.25%, 3.0%, 1.75%, and 0% in the CoBGS + merit model
- Merit raises are 4.5%, 3.25%, 2.0%, and 0% in the “floor” model

Across-the-board CoBGS, Plus Merit

Note that the merit percentages are slightly lower in this model to account for the increased amount necessary to give CoBGS across the board. Again, the amounts are simply estimates to show the difference conceptually.

	Low (band 1): $25,000	Mid (band 4): $45,000	High (band 7): $85,000
A (4.25%)	$1,408 (5.63%)	$2,257 (5.02%)	$3,958 (4.66%)
B (3.0%)	$1,095 (4.38%)	$1,695 (3.77%)	$2,895 (3.41%)
C (1.75%)	$783 (3.13%)	$1,133 (2.52%)	$1,833 (2.16%)
D (0%)	$345 (1.38%)	$345 (0.76%)	$345 (0.4%)

“Floor” model (assuming floor of $1,000 like last year)

	Low (band 1): $25,000	Mid (band 4): $45,000	High (band 7): $85,000
A (4.5%)	$1,125 (4.5%)	$2,025 (4.5%)	$3,825 (4.5%)
B (3.25%)	$1,000 (4%)	$1,462 (3.25%)	$2,752 (3.25%)
C (2.0%)	$1,000 (4%)	$1,000 (2.22%)	$1,700 (2.0%)
D (0%)	$345 (1.38%)	$345 (0.76%)	$345 (0.4%)