

## **SALARY ADMINISTRATION – WESTMINSTER COLLEGE**

### I. POLICY

Westminster College will pay salaries that are competitive with those paid for like positions in similar schools and businesses within the recruiting market and that will maintain internal salary equity. Actual salaries normally will be within the established salary range and may differ from one employee to another depending upon individual performance and experience.

The objectives of our salary administration program are as follows:

- A. Attract and retain competent employees
- B. Clarify for employees what is expected of them
- C. Motivate employees to improve their performance in the responsibilities assigned to them
- D. Ensure that salaries paid are internally fair and externally competitive
- E. Provide a means for budgeting and controlling salary expense

Westminster College is an equal opportunity employer. All compensation decisions will be made without regard to age, race, religion, sex, national origin, disability, or veteran status.

### II. THE SALARY STRUCTURE

#### A. Salary Range

Based on job evaluation, each position is assigned to a salary range within the salary structure. The salary structure is an organization of salary ranges, each identified by a grade number. Each salary range consists of a minimum, a midpoint, and a maximum. Westminster salary ranges are established to be competitive at midpoint with salaries paid for like jobs in other schools and businesses within the labor markets in which we recruit.

#### B. Salary Structure Maintenance

Since salary ranges are the basis for salary administration, they must be adjusted to reflect market changes. A salary range is an appraisal of job value expressed in dollars, which provides a guide for paying individuals based on their performance. The Director of Human Resources and Compensation is responsible for reviewing the College's salary structure periodically, but at least annually, and for recommending adjustments necessary to remain competitive.

Geographical factors and shifts in supply and demand for particular skills which influence salary levels are measured and incorporated into the salary structure, as appropriate.

#### C. Position-In-Range

To administer salaries within the range requires an understanding of position-in-range measurement and terminology. Our salary ranges are developed with reference to three points:

1. Minimum. The minimum of the range represents the lowest salary for a job in the range. Minimums are used as a guide for establishing the starting salary of a job. However, if a person does not fully meet the minimum job qualifications, he or she may be hired in a trainee capacity, in which case a starting salary from 5 to 10 percent below the minimum might be appropriate for a period of three to six months.

II. THE SALARY STRUCTURE (continued)

2. Midpoint. The midpoint of the range represents the going rate for the position, or what a fully qualified incumbent would be expected to perform and contribute.
3. Maximum. The maximum of the salary range represents the highest salary that normally would be paid to individuals in the range. It is usually reserved for outstanding performers.

Methods of measuring position-in-range include:

- Range Third

One of three segments within a salary range: salaries in the lower third are below midpoint; salaries in the middle third surround midpoint; and salaries in the upper third are above midpoint.

- Percent of Midpoint (comp-ratio)

Positions of salaries are measured in relation to the midpoint (or market rate) which is considered to be 100%. Each grade range should be wide enough to recognize and appropriately reward differences in employee productivity at that particular grade level. Thus, ranges will normally be wider for higher level jobs, since higher level employees have greater latitude in terms of how they perform their jobs. As an example, the minimum could be 80% of the midpoint, and the maximum 120%. Therefore, a salary that is 90% of the midpoint would require approximately a 10% increase to reach the midpoint. This method is also called comp-ratio (comparison ratio).

Illustration:

	Salary range				
Range Thirds	Range Minimum 1 <sup>st</sup>	Range Mid-Point 2 <sup>nd</sup>		Range Maximum 3 <sup>rd</sup>	
% of Midpoint	80%	93%	100%	107%	120%

D. Pay Distribution

Salary range midpoints are set in relation to competitive salaries in the market. Therefore, the placement of a person's salary in the salary range should be compared with the midpoint (or "market rate").

The objective is to pay fully qualified, "fully satisfactory" performers in the middle third of the salary range - around the midpoint.

Employees with salaries below in the lower third are typically employees new to the position or relatively low performers. These employees may need to have more frequent merit reviews so that their salaries advance to the middle third as they become fully qualified and perform at "fully satisfactory" in all aspects of their job.

After that, salary growth for employees at the "fully satisfactory" level should parallel market growth. This will tend to maintain their salaries around the market rate (93% to 107% of midpoint in our example). These salaries will reflect good, steady, satisfactory performance by people who have learned their job. Most employees should be in this third of the range.



### III. MERIT INCREASES: RELATING PAY TO PERFORMANCE

Salary increases are awarded to recognize the contribution of Westminster employees and compensate them for their level of performance. The definitions of the performance levels are printed on the second page of the performance review forms. Employees will be given a performance review on a 12-month interval, typically in the spring and before the start of the new fiscal year on July 1<sup>st</sup>.

A. Merit Increases recognize performance of employees on their current job and provide progression within their salary range. Performance is the prime factor in determining the size (%) of a merit increase, along with position-in-range. Other considerations to determine the actual merit increase are internal equity, external equity, and the merit budget. Specific percentage increases are suggested for each performance category and position-in-range.

The Merit Increase Guidelines are designed to provide salary growth to within the Targeted Position-In-Range for each performance level.

The objective of the guidelines is to deliver a similar size of increase for a given performance level, taking position-in-range into consideration. As a result,

- 1) salaries can advance toward midpoint so that, as employees become fully-qualified, they can earn near the market rate;
- 2) salaries of employees with performance of '4' and '5' can continue to advance beyond the midpoint toward the Targeted Position-In-Range for these levels of performance; and
- 3) employees, who reach the Targeted Position-In-Range for their performance, have their salaries maintained at that general level if their performance continues to be rated the same.

Merit Increase Guidelines for determining the size of merit increases for exempt and nonexempt employees are provided in the chart on the next page. These guidelines provide a basis for consistent administration of salaries and a tool to minimize the development of pay inequities.

**MERIT INCREASE GUIDELINES  
USING UNIFORM TIMING**

	<u>EMPLOYEES IN LOWER THIRD OF RANGE</u>	<u>EMPLOYEES IN MIDDLE THIRD OF RANGE</u>	<u>EMPLOYEES IN UPPER THIRD OF RANGE</u>
<u>Levels</u>			
5. Exceptional (results far exceed job requirements)	5-6%	4-5%	3-4%
4. Exceeds requirements (results meet and often exceed requirements)	4-5%	3-4%	2-3%
3. Fully satisfactory (results generally meet all requirements)	3-4%	2-3%	1-2%
2. Acceptable (results meet minimum requirements)	2-3%	1-2%	0
1. Unacceptable (results are clearly unsatisfactory)	To minimum or out	0	0

**Below Minimum Reviews:** Merit increases for employees whose salaries are below the range minimum should occur three to six months after their last salary change. Proposals would be made through the normal chain-of-command with final approval by the VP of Business and Finance.

**Accelerated Merit Reviews:** If (1) salary compression is an issue, or (2) an employee's salary is significantly behind in progress toward the targeted position in range for a consistent level of performance, manager's can propose an accelerated merit review through their chain-of-command to the VP of Business and Finance, with final approval by the President of the College.

III. MERIT INCREASES: RELATING PAY TO PERFORMANCE (Continued)

B. Acceleration of Merit Reviews

Managers may accelerate an employee's normal merit review date by three to six months for the following reasons: ~

- 1) to alleviate salary compression between subordinate and supervisor/manager, between peers to recognize significant distinctions between performance and/or experience, or where compression from salaries of new hires is a problem
- 2) to advance employees' salaries which are significantly behind in progress toward the appropriate targeted position in range
- 3) when a job has been reclassified upward (essentially, a promotion)
- 4) when an adjustment has been made to a salary range minimum
- 5) from external market pressure

If an employee's salary is below the Targeted Position-in-Range, and performance consistently has been at the same level over time, then managers can propose that an employee's merit review date be moved up by three to six months.

This provision for acceleration of merit reviews requires approval through the chain-of-command to the VP of Business and Finance, with final approval by the President of the College.

The following situations depict conditions under which use of the accelerated reviews is and is not appropriate.

1) BELOW TARGETED POSITION-IN-RANGE

Employee A

Performance: Level 5 (consistent for 4 years)

Comp-ratio: 101% of midpoint (Middle Third)

Targeted Position-In-Range: 107% to 120% Comp-ratio (Upper Third)

Guidelines: Normal timing would be one year.

Accelerated Merit Review: Yes. Review after 6 to 9 months. This is a 3 to 6 month acceleration to normal application of the guidelines.

III. MERIT INCREASES: RELATING PAY TO PERFORMANCE (continued)

B. Acceleration of Merit Reviews (Continued)

Employee B

Performance: Level 3 (over last 3 years)  
Level 4 (this year)

Comp-ratio: 97% of midpoint (Middle Third)

Targeted Position-In-Range: 93% to 107% Comp-ratio for Level 3 (around midpoint and in middle third)  
101% to 110% Comp-ratio for Level 4

Guidelines: Normal timing would be one year.

Accelerated Merit Reviews: No. Employee has been within the Targeted Position-In-Range for consistent Level 3 performance. As Level 4 performance continues, salary should move gradually to targeted position-in-range for Level 4 performance.

2). SALARY COMPRESSION

Employee C

Performance: Level 3 (consistent for 3 years)

Comp-ratio: 97% of midpoint (Middle Third) on July 1st

Targeted Position-In-Range: 93% to 107% Comp-ratio ( )

Last Review: July 1st

Guidelines: Normal timing would be one year.

Compression Circumstances: A new hire with less experience will join the department in Nov with a salary at 97% comp-ratio.

Accelerated Merit Review: Yes. Need to review in 6 to 9 months (Jan - Mar) from last review (Jul) to avoid compression. Because of compression, the minimum guideline frequency of 6 months could be used, providing a merit review in Jan. To achieve the Jan target, a six-month acceleration was applied to the one-year normal timing.

### III. MERIT INCREASES: RELATING PAY TO PERFORMANCE (Continued)

#### C. Other Considerations

Salary ranges establish the maximum value to be paid for a position assigned to a given salary range. Therefore, employee salaries generally should not exceed the salary range maximum. However, employees who are rated Exceptional (5) or Exceeds Requirements (4), and whose salaries are below the salary range maximum may be granted an increase for the full size (%) for their performance in the guidelines. The increase may cause their salaries to exceed the maximum range. It is an exception to College policy to increase the pay of individuals whose salaries are at or in excess of the maximum of the salary range.

There is also a danger that the salaries of employees who are good but not outstanding will move into the upper third of the range, primarily because of long service. This is especially true at Westminster where turnover is low and where there are many dedicated, long-term employees. Nevertheless, while management has the option of deviating from the policy, that policy is a good one to follow in controlling salary expense and relating pay to performance. It also alerts management to the fact that an individual may be receiving a higher salary than performance alone justifies.

Merit increase planning for employees with ratings at a 3 or 2 level will require careful consideration by the manager. Comparisons should be made between a less than normal increase now up to the maximum of the range, versus an increase after the next salary range change. Then, the salary will be in a lower position and a full size increase will be possible.

A merit increase may be prorated for employees on Leave of Absence for six full months or more, or for new employees who join the college after January 1<sup>st</sup>.

Individual increases should be rounded to the nearest \$10.00 of annual salary for exempt and non-exempt full-time employees.

Although no statistical curve should be imposed on the distribution of performance ratings for small groups of employees, it is expected that, generally, the majority of ratings will fall within the "Fully Satisfactory" and "Acceptable" performance categories.

#### D. Disability Leave Administration

1. Purpose - because of the impact and importance of the Family Medical Leave Act (FMLA), it is important that the college treat employees on disability leave in a fair and consistent manner.

2. Definition - employees on disability leave generally fall into two categories: active pay and inactive (or non-pay) status. The major differences from a planning perspective are:

- a. The active pay employee is likely to appear on a salary planning worksheet, and it may be known when the employee may return to work
- b. An inactive or non-pay status employee will not appear on a salary planning worksheet and their return to work may be indeterminable

#### 3. Guidelines

- a. As a general rule, merit salary consideration for employees on leave should be addressed on an individual basis. However, to ensure equity and consistency, the following guidelines have been established.

- b. For employees on a disability leave at the time of the effective merit increase date (typically July 1<sup>st</sup>) and who are not receiving sick pay during the leave, any salary action should become effective the date the employee returns to work. The employee should receive the full amount of the planned increase effective to the next effective merit increase date. This process, in effect, prorates the merit received. An employee receiving sick pay during the leave could see no break in pay.
- c. For employees who were on disability leave during the review period but are at work on the merit effective date should be considered for a prorata increase if they have been on leave for more than six months. Any sick pay or vacation paid toward the leave in excess of thirty days will be considered time at work for the purposes of this section.

4. Administration - supervisors should contact the Director of Human Resources and Compensation when an employee returns from leave. The employee's return triggers the process for determining the appropriate merit increase.

#### IV. PROMOTIONAL INCREASES

A promotion is the advancement of an employee to a position that is evaluated at a higher grade level than the position to which the employee is currently assigned.

An employee who is being promoted is to receive a promotional increase at the time of the promotion. The actual effective date of the new salary will be the first of the month closest to the actual assumption of the job or date of reevaluation of the job.

The employee's pay level should be aligned to an appropriate point in the new salary range considering performance, qualifications, the relationship to peers, and market information. At the time of a promotion, a pro-rated merit increase for the time since the last merit increase may be granted. However, the next performance review will remain as the next scheduled merit increase date, with all of the associated increases defined by the employee's performance and position-in-range for the new position.

No specific percentage increase or formula can apply to every promotional situation. The actual promotional increase must be a matter of judgment by the manager. Consideration must be given to 1) the position in the higher range of the proposed new salary and, 2) the appropriate relationship of the proposed new salary to the salary paid to other employees in similar jobs at the new grade level within the department or across campus. Ideally, the position of the new salary should be at least above the minimum and below the midpoint of the new range. Any promotional increase that places the employee's new salary at 5% or greater above the midpoint should be reviewed carefully. Consideration should be given to reducing the promotional portion of the increase in such cases to allow for future salary growth of the employee.

Therefore, as a starting point for generating a proposed new salary for a promotion, the following guidelines are provided as a reference for the development of promotional increase recommendations.

The promotional increase portion is one-half of the dollar difference between the midpoint of the current salary range and the midpoint of the new, higher salary range. The pro-rata merit portion, if given, is the partial amount of merit earned to date on the current job. Again, the next merit increase date will be at the full percentage for the newly promoted employee based on performance, position -in-range, and other factors previously discussed.

Increases that are either 2% above or 2% below the total increase percentages generated by the promotional guidelines are exceptions and require additional approvals (see section IX. B.). Current promotional guidelines are "up to 10%" for a one grade promotion.

The maximum combined increase granted at the time of promotion cannot exceed 25% of the employee's current salary.

PROMOTIONAL INCREASE GUIDELINES

Step 1

The promotional increase portion is one-half of the difference between the new salary grade midpoint and the old salary grade midpoint.

$$\frac{\text{New Midpoint} - \text{Current Midpoint}}{2} = \text{Promotional Increase}$$

Step 2

The pro rata merit portion is calculated by using the following formula:

$$\frac{\text{Months Elapsed Since Last}}{12 \text{ months}} \times \frac{\text{Merit Guidelines \%}}{100} \times \text{Current Salary} = \text{pro rata merit increase}$$

Example:  $\frac{9 \text{ mos.}}{12 \text{ mos.}} \times 4\% \times \text{Current Salary} = \text{pro rata merit increase}$

Step 3

The total increase is the sum of #1 and #2.

Step 4

Review the position in the new salary range and internal salary relationship. Recommend the final promotional increase. Secure appropriate approvals.

Example:

Performance rating: Fully Satisfactory (3)  
 Midpoints: New: \$20,515; Old: \$18,650  
 Current Salary: \$18,500  
 Months Elapsed: 9 months  
 Position in current range: Middle Third

Calculation:

1) Promotional portion:

$$\frac{\$20,515 - \$18,650}{2} = \$932.50$$

2) Pro rata merit portion: Current rating - fully satisfactory, merit increase guideline, 3.0% to 4.0%.

		<u>Limits of Guidelines</u>								
		<u>Minimum</u>				<u>Maximum</u>				
$\frac{9 \text{ months}}{12 \text{ months}}$	X	$\frac{3.0\%}{100}$	X	\$18500		$\frac{9 \text{ months}}{12 \text{ months}}$	X	$\frac{4.0\%}{100}$	X	\$18500
a)	.75	X	.03	= .0225		.75	X	.04	= .030	
b)	.0225	X	\$18500		= \$416.25		.030	X	\$18500 = \$555.00	
3) Total Increase		Minimum				Maximum				
• Promotional increase:		\$932.50				\$932.50				
• Pro rata merit:		+416.25				+555.00				
Total:		<u>\$1348.75</u>				<u>\$1487.50</u>				
+ current salary		<u>\$18500.00</u>				<u>\$18500.00</u>				
4) New salary		\$19848.75				\$19987.50				
(rounded)		\$19850.00				\$19990.00				

## V. JOB REEVALUATIONS

Existing jobs, which as a result of job reevaluation, are reclassified into higher or lower grades are considered as either "upgrades" or "downgrades".

A. Upgrades are reclassifications of positions as a result of job reevaluations, to a higher salary range assignment. Such reevaluations recognize that responsibilities of a job have increased over time, or that higher levels of responsibility have been added to the job. Therefore, upgrades should be treated as promotions if an exempt or non-exempt position is upgraded one or more grades.

An employee who is in a position that is upgraded is to receive a salary increase in accordance with the guidelines for promotional increases.

In no case is a position to be upgraded solely to provide a salary increase for an employee.

Note: Reevaluations of groups of positions may occur from time-to-time as a means of recalibrating internal grade relationships. While job content has not changed, some jobs may be reclassified to higher or lower grades to restore equity. In these cases, no salary change is made.

B. Downgrades result in a lower salary range assignment for the job and a corresponding higher position in that range for the employee's salary. Such reclassifications are not a reflection of an employee's performance or capability. An employee who is in a position that has been reevaluated and downgraded is to continue to receive the same salary. Future reviews will be predicated on the position in the new, lower salary range.

If the employee subsequently is assigned back to the original grade level, no promotional increase is to be considered.

Upgrades and downgrades are to be shown as a "reclassification" reason for job change on the Employee Profile.

## VI. DEMOTIONS

### Definition

A demotion is the reassignment of an employee to a different position which has a lower salary range classification.

An employee who is demoted may continue to receive the same salary paid in the prior position. If that salary exceeds the maximum of the new range, no further increases will be given until the range is adjusted upward sufficiently so that the salary is again within the range. Contact the Director of HR and Compensation for guidance.

If the employee subsequently is assigned back to the original grade level, no promotional increase is to be considered.

## VII. DEVELOPMENTAL TRANSFERS

Occasionally it is necessary to reassign an employee to a position in a lower salary grade in order to: 1) address a specific business need for which their talents can be best applied, or 2) to provide the individual with a broadening experience as a developmental step. In both cases, such an assignment is for a specific period, normally two years or less.

Salary treatment for individuals placed on developmental transfer assignments should not be effected. Rather, their salaries will be administered under the salary range for their original grade level. If, at the end of the two years, the employee has not been reassigned back to a job at the original grade level, the grade of the individual will revert to the established grade and salary range for the assigned job.

All requests for such assignments must be approved in writing by the appropriate department manager/director and have concurrence by the appropriate Cabinet member and the Director of HR and Compensation. This approval is required before any such assignment is initiated. The request is to indicate the nature of the work and the projected duration of the assignment. When approved, the department is to submit it the Director of HR and Compensation to be placed in the individual's official personnel file.

No salary action should be initiated for the developmental transfer; nor should a promotional increase be considered when the employee is reassigned to the original position. If the employee is reassigned to a job above the original grade level, a promotion may occur if he/she is advancing the required number of grades.

## VIII. REPLACING VACATED POSITIONS

When a staff position becomes vacant for any reason (termination, quit, retirement, etc.), the position will not be automatically refilled. This will provide the College the opportunity to reevaluate its needs in this area and determine if a rehire is appropriate. Depending on the needs of the department or the college, it may not be necessary to refill the position, or it may be more appropriate to fill the position in another department or at a different level with new or different responsibilities. Each department will review their needs and justify their action associated with the vacated position. Justification will be through the VP for Business and Finance to the President of the College.

## IX. HIRING RATES

Starting Salaries for new hires should reflect the level of qualifications/experience that the employee brings to the job. Employees with little or no experience should be offered salaries near the minimum of the salary range. Experienced or fully qualified employees normally are offered salaries up to the midpoint. For some unique exempt disciplines, market demand may require hiring above the midpoint.

The range midpoint should be considered the highest starting salary for fully competent, experienced performers. Placement of the salary within the range also should consider current salaries of incumbents in the same position.

Salary offers for exempt and non-exempt positions require concurrence of the Vice President for Business and Finance.

Salary offers for exempt positions which fall outside these guidelines (including all which are above range midpoint) must be approved by the President of the College before the offer is made and receipt of such approval is to be noted on the file copy of the offer letter.

Before being filled, newly created positions and reevaluated positions must be properly approved and assigned a grade/salary range using the Position Classification Evaluation procedure.

## X. PROCESSING SALARY INCREASE RECOMMENDATIONS

### A. Procedure

Salary increase recommendations are initiated by the employee's immediate supervisor.

After authorization as described below, salary increase recommendations for exempt and nonexempt positions should be sent "Confidential" to the Director of HR and Compensation.

HR should receive the authorization no later than the last working day of the month prior to the effective date. Each recommendation must be supported by a Performance Review submitted no more than six months prior to the effective date of the increase. If a Performance Review dated within the previous six months is not recorded on the Employee Profile, then a new Performance Review should accompany the salary increase recommendation.

No salary increase will be processed for employees who are on a Leave of Absence.

### B. Salary Action Review and Approval

All salary requests require a minimum of two signatures: that of the originator and that of the originator's immediate supervisor. The VP of Business and Finance must approve the request. Recommended increases outside the normal guidelines require the approval of the President of the College.

C. Effective Date

All salary increases are effective on the first day of the month. Retroactive salary adjustments are discouraged.

D. Notification

It is the manager's responsibility to notify the employee of any salary change. No increase is to be indicated or announced to the employee until the increase has been authorized and the employee's manager has been so notified.

## XI. PERFORMANCE REVIEWS

An integral part of every supervisor's responsibility is continuing communication concerning performance with each employee. Such a discussion should take place when appropriate regardless of the individual's salary review status. Performance discussions should be planned in advance, phrased in job-related terms, and conducted in a relaxed and private setting.

Each employee's performance is to be appraised at least annually by the immediate supervisor using the Performance Review form. This typically would occur in the spring in anticipation of the start of the new fiscal year, July 1<sup>st</sup>. However, a variety of factors such as the position level, the employee's experience and total time served in the classification, or promotion may result in the desirability of reviewing performance on a more frequent basis.

To assure continuity of performance reviews and good feedback to the employee, a written performance review is required when one of the following events takes place regardless of the timing since the last formal review:

- 1) Employee is promoted/transferred to a new job outside the department.
- 2) Employee's supervisor is promoted/transferred to a new job outside the department.

At the end of a review period and prior to meeting with the employee, the supervisor should complete the following steps:

- a. List under the major responsibility headings on the Performance Review form the employee's key areas of responsibility in order of importance to overall performance. (Major responsibilities can be readily identified from the incumbent's position description. If a current description does not exist, the supervisor will need to meet with the employee, in advance of the formal review meeting, to confirm the employee's major areas of responsibility.)
- b. Gather any information necessary to factually and fairly evaluate the employee's performance.
- c. Complete a preliminary analysis/evaluation of the results achieved under each major responsibility area, review the skill factors, determine an overall performance rating, address strengths and developmental needs and a development/improvement plan, and get your manager's concurrence.

The supervisor then meets with the employee to hold the performance review discussion.

An employee whose performance requires significant improvement will be subject to a performance improvement plan that specifies all areas where improved results are required. Performance must improve continuously so that it is at an acceptable level within a reasonable period of time. At any time during this process an employee who does not demonstrate significant improvement may be terminated from the college's employ.

## XI. PERFORMANCE REVIEWS (Continued)

All original Performance Reviews must be submitted to HR, to be placed in the employee's official personnel file. A copy of the Performance Review must be given to the employee. The supervisor may keep a copy for the department file, if needed.

The Performance Review form contains an overall performance rating which is the key to administering salaries on a true merit basis. A completed performance appraisal form, current within six months, and signed by the employee must accompany each salary recommendation unless such review has already been placed in the employee's official personnel file.

For training and guidance in using the performance appraisal process or for assistance in developing performance improvement plans, consult the Director of Human Resources and Compensation.

The supervisor meets with the employee to review and update, as necessary, the major responsibilities for the next review period.

All new and rehired employees work on an introductory status for the first six months of their employment with the College (see the Employee Handbook, section 205). They should receive an informal performance evaluation after the first 90 days. At the end of six months, the employee will receive a written evaluation, the original of which will be placed in the employee's personnel file. Thereafter, they should receive a Performance Review at least annually.