

COMPENSATION PLAN GUIDE

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The Districts' compensation practice has three distinct steps. They are:

1. **Update pay ranges** using average structure adjustments that are identified by survey data from Mountain States Employers Council (MSEC) (Attachment 1)
2. **Survey the market** for data that relates to our employees' jobs (Attachment 2)
3. **Compensation adjustments** calculated by updating and applying the wage matrix that is used to assign increases to employees

1. UPDATE PAY RANGES (Attachment 3)

Pay range tables "Tables" have been created for the following classification of employees:

- Non-exempt – administrative support
- Non-exempt – technical support
- Exempt – middle management
- Exempt – management

Ranges from the Table are used to:

- Match benchmarked positions with data compiled from the survey
- Establish differences between different jobs
- Identify the entry, midpoint and top of range to be used when calculating the potential pay increases for individual employees

The characteristics of the pay ranges in the Tables are:

- Established with a difference of 5% between the midpoint of each pay range
- Each pay range has different widths (from entry level to top of range) based upon the type of employee
 - Non-exempt - administrative support the width is 35%
 - Non-exempt – technical support the width is 40%
 - Exempt – middle management the width is 50%
 - Exempt – management the width is 60%
- Updated annually by adjusting the midpoint by the amount of increase/decrease for structure adjustment as calculated below

❖ Calculate Structure Adjustment

Annually the midpoints for each of the ranges in the Tables are adjusted by what is referred to as the "Structure Adjustment." The Structure Adjustment is an amount included in the annual survey by MSEC entitled "Colorado Benchmark Compensation Survey". This adjustment is influenced by general economic criteria including cost of living. By definition it does not include longevity and merit increases.

Because the initial MSEC data for the subsequent year is only an estimate, our formula allows for adjustments over a three year period that refines the number and ultimately

adjusts our structure adjustments to the “actual” that is reflected in subsequent MSEC surveys. The annual adjustment is calculated using the components and process outlined below:

2014			
	PRIOR revised adjustment	1.30%	
	ACTUAL adjustment	1.20%	
			-0.10%
2015			
	INITIAL PROJECTED adjustment	1.40%	
	REVISED adjustment (June 2014)	1.40%	
			0.00%
2016			
	ORIGINAL projection		1.70%
	<i>Our range & matrix change will be</i>		1.60%

The result calculated above is the STRUCTURE ADJUSTMENT and is used to:

- Increase the midpoint of the pay ranges in each Table
- Be one of the factors that is used below to compile the pay matrix used to provide compensation increases to our employees

2. SURVEY THE MARKET

MSEC is the primary source for both general wage information as well as specific data related to our workforce. When necessary, the information is supplemented by data collected from specific entities that provide similar services. The general procedures for obtaining survey information are as follows:

❖ Determine Clusters

Management review of all District positions to determine which employee job descriptions have similar compensation related characteristics and, therefore, should be clustered together for the purpose of associating the positions within the employee group to a surveyed benchmark.

❖ Determine Benchmarks

Management reviews each Cluster to determine which position within the Cluster is the most appropriate to serve as the benchmarked position based on the most reliable available matches to survey information.

❖ Survey Job Market (Attachment 2)

Obtain survey information from other organizations that have been established as data points for benchmark positions to establish the average midpoint wage or salary level for the position(s). Once the survey data is compiled the following procedure is applied:

- Calculate the average midpoint for the positions surveyed
- Compare the average midpoint calculated above with the midpoint of the District Pay Range currently assigned for each Benchmarked Position (Attachment 2). Assign the appropriate range for the next year to the Benchmarked Position based upon the following:
 - If the calculated average of the surveyed midpoints is between 95% and 100% of the midpoint for the District Pay Range currently assigned (after applying the adjustment above for the Structure Adjustment) to that Benchmark, the District Pay Range as assigned would remain unchanged
 - If the average of the surveyed midpoints is less than 95% or greater than 100% of the midpoint for the range currently assigned, a new range will be assigned so that the average of the surveyed midpoints falls within the 95% to 100% area for the new District Pay Range

❖ **Gaps (Attachment 4)**

Once the Benchmarked Pay Range has been established, management reviews and recommends appropriate relationships between various jobs included within each Cluster as these jobs relate to the responsibilities of the Benchmarked Position. These relationships are determined by evaluating additional survey data as well as reviewing organizational relationships with positions with similar organizational responsibility.

The results are shown in Attachment 4 which identifies the Pay Ranges to be assigned to each of the jobs within each Cluster for use in the upcoming year.

3. COMPENSATION ADJUSTMENTS

The final step in the process is the application of the various changes identified in Steps 1 and 2 to the process that increases our employees' compensation.

There are two ways an employee's compensation is adjusted based on the following priority order:

- Upward changes in the Pay Range assigned to the position based on the survey results from Step 2
- Changes derived from application of the Wage Matrix

❖ **Upward Change in Pay Range**

If a new, higher range is assigned to the employee's position pursuant to Step 2, survey process adjustments will be made as follows:

- If the range has moved upward two slots in any combination within two years, an employee whose salary is less than midpoint of the new range will receive an increase of the lesser of:
 - 5%
 - The amount necessary to bring the employee to midpoint

- Two additional upward range changes are required before another increase will be considered
- Three or more range moves will be evaluated on a case-by-case basis

❖ **Downward Change in Pay Range**

If a new, lower range is assigned to the employee’s position pursuant to Step 2, survey process adjustments will be made as follows:

- If the range has moved downward one slot, the position will remain at the current range and will be placed “on watch” until the subsequent salary survey cycle. If the next survey results yield the same lowered range, the position will be downgraded at that time
- If the range has moved downward two or more slots the position will be downgraded to the correct range
- If as the result of a downward adjustment an employee’s current salary is above the top of the range, the employee’s current salary will not be reduced
 - Employees that are not eligible for a salary increase due to a downward movement in their position’s range will be eligible to receive an amount equivalent to the year’s structure increase
 - The amount of compensation in lieu of a wage increase will be payable in arrears in four equal quarterly installments
 - Employees receiving such structure compensation equivalent due to a downward range move will not receive an increase in the base compensation unit
 - Payment of the structure equivalent payment is budget dependent and reviewed on an annual basis

❖ **Wage Matrix Performance Based Compensation (Attachment 5)**

The Wage Matrix includes six sectors (three on each side of the midpoint or “market”) that include percentages that will move an employee across the Pay Range using all factors of compensation including merit, longevity, general and cost of living.

The merit component will achieve the following performance philosophy:

- Reward good performance as compared to other employees
- Move employees more quickly through the first half of the range to get them to midpoint which is considered “market” based on survey data and then slow down their advance through the last half to the end of the range
- For an employee in the middle sector left of midpoint the average time from the bottom of the range to midpoint should be approximately 7 years for non-exempt employees and 9 years for exempt employees

The percentage increases in each of the sectors of the Wage Matrix are calculated based on:

- Structure Adjustment
- PLUS**
- A performance allowance for each sector designed to move employees across the ranges over time. It is designed for the average non-exempt employee to move

from the bottom of the range to midpoint (market) in 7 years and for exempt to move to midpoint (market) in 9 years

- In relation to the employee's rating compared to their peers
- The employee's position within a salary range

The Board will be provided with the result of the initial projections above as the percentage to be included in the preliminary budget. During the budget process, the Board should evaluate the ability to pay based on economic conditions and may then adjust the pay and the Wage Matrix accordingly.

❖ **Test of Reasonableness**

Once the Wage Matrix is calculated the results are compared with information compiled in the Denver Metro area for anticipated/projected wage increases by MSEC for Denver/Boulder in general as found in the Colorado Benchmark Compensation Survey. These projections are gathered based on surveyed information for the "typical employee" as identified in the MSEC publication.

Based on the above and to assist with data comparison by the Board, 7 to 10 years of the following information will be accumulated and graphed in order to compare our employees' compensation with our matrix as well as market surveys:

- MSEC prior actual and budget year projected wage increases – Denver/Boulder all employees
- Our actual prior year wage matrix calculation for the "average" employee
- Our actual increases year over year for the average employee

Disclaimer:

For the Districts, the results of the Wage Matrix, which is the basis for assigning compensation increases to our employees may, but will not necessarily, mirror the results found in MSEC and other surveys.

As an example, when the Districts respond to these types of surveys, we provide information based on the Wage Matrix midpoint for the "average" employee. In the current matrix that would be calculated by averaging the two middle sectors (representing the middle 50% of employees reviews) each side of the midpoint. (Note: In years prior to 2011, the "average" employee was assumed to have a 3.75 rating represented by averaging the mid range increase for a 3.5 and 4.0 rating). We obviously do not know how other employers would respond to the same question.

Even the "average employee" number that we provide may not be the same as our actual compensation adjustments if our employee group is not split 50%/50% between employees above and below the midpoint respectively. If the employee group is weighted to the less experienced, or less than midpoint, the structure of the matrix will provide increases greater than the average. Similarly, a more experienced workforce will result in lower wages than the average.

While even our own compensation may not directly compare to that calculated from the Wage Matrix, for similar reasons our compensation may vary from the data compiled by MSEC. In addition to the above referenced difference, we have established a policy statement that directs the timing to get across the range. Compliance with this policy alters the annual increases for employees left of the midpoint.

While we have tested our calculations in prior years and our estimates appeared reasonable, significant changes in the market in either direction would impact our comparisons with that of the other entities.