

SECTION: **POLICY STATEMENT - PERSONNEL**

SUBJECT: **SALARY PLAN FOR EXECUTIVE AND ADMINISTRATIVE POSITIONS**

PURPOSE: To provide a policy framework of a salary plan for executive and administrative positions.

EFFECTIVE DATE: **June 3, 1994**

HISTORICAL: January 25, 1991

SALARY PLAN FOR EXECUTIVE AND ADMINISTRATIVE POSITIONS

I. BACKGROUND AND PURPOSE

- A. Section 42405 of the California Code of Regulations requires auxiliary organizations to provide salaries, working conditions and benefits comparable to those for campus employees who perform substantially similar services, and for full-time employees who are not substantially similar, salary rates that are at least equal to the salaries prevailing in other educational institutions in the area or in commercial operations of like nature.

Resolution 79-02 sets general policy on employee salaries, benefits and working conditions for the Cal Poly Corporation ("CPC") employees, including the definition of executive and administrative positions as being not substantially similar.

In 1984, the California State University established a management personnel plan for management or supervisory employees that includes a merit salary program.

Private industry and other auxiliary organizations within the system have established merit salary plans for management employees. The CPC Board of Directors desires

to establish, on a planned basis, policy for the Compensation of management personnel which is equitable, competitive, motivating and fiscally prudent.

This statement establishes the policy framework of a salary plan for employees of the CPC at San Luis Obispo who are exempt as Executive and Administrative personnel under the Federal Fair Labor Standards Act and the Work Orders of the California Industrial Welfare Commission. This workweek group includes department heads and key managerial or administrative staff. Positions assigned to this workweek group regularly supervise the work of others and/or perform assignments which are intellectual or creative in nature and which require the use of discretion and independent judgment. The policy will not apply

to positions in this workweek group which are funded from external sources. Salaries for these positions are established on the basis of the salaries being paid to comparable positions at Cal Poly and other institutions of higher education and the funds available in grants and contracts.

Any changes to this basic policy must be approved by the CPC Board of Directors. The CPC's Executive Director and executive staff are responsible for ensuring that the policy is administered in a fair and equitable manner.

II. OBJECTIVES

- A. The objectives of the executive and administrative salary plan are as follows:
1. To establish salaries which are externally competitive with comparable positions in other organizations that recruit within the same labor market as the Cal Poly Corporation, such as auxiliary organizations of other colleges and universities, which employ executive and administrative employees with similar duties and responsibilities.
 2. To recruit and retain well-qualified managerial and administrative employees for CPC positions.
 3. To provide a salary structure that is internally equitable and which ensures that positions with equal skill, effort, responsibility and working conditions receive equal pay.
 4. To motivate employees covered by the plan to contribute to the overall goals of the CPC through achievement of objective performance standards, which are mutually agreed to by the individual employee and his/her manager.
 5. To insure that salary increases are within budgetary limits established by the CPC Board of Directors.

III. PLAN COMPONENTS

A. Externally Competitive

1. The CPC attempts to be externally competitive by conducting annual salary surveys within the appropriate labor market for a particular group of management positions. Approximately fifteen positions will be surveyed annually. The survey will normally include other auxiliary organizations of the California State University system but may also cover State positions with comparable duties at CSU campuses, the University of California, other colleges and universities, and organizations within the private sector. The University's Director of Human Resources will be requested to provide salary data for State positions which have comparable duties and responsibilities to positions which are included in the CPC's salary survey.

2. The survey data will contribute to the development of salary ranges and grades for the various management positions. Each range will have a minimum and a market rate.
3. In applying the salary survey data, the CPC seeks to be neither the highest nor the lowest paying employer within a labor market area. The goal is to pay rates which will facilitate the recruitment and retention of a productive management workforce.
4. The salaries being paid by other organizations for comparable positions serve as the basis for establishing the market rate for CPC positions. The market rate is the salary paid to an employee who is fully trained and who satisfactorily exceeds the performance standards for his/her position.
5. The results of the annual survey will assist in determining the adjustments, if any, which are to be made in the CPC salary ranges. The salary survey will normally be conducted January through March of each year, and any approved salary adjustments which are supported by the survey findings will normally be effective on July 1.

B. Internally Equitable

1. While the salary survey is used to analyze external market trends, there is also a need to evaluate the CPC's internal salary structure to ensure that positions with equal skill, effort, responsibility and working conditions receive equal pay. A Job Evaluation Plan has been developed to assist in determining internal equity.
2. Results of job evaluation studies assist in ensuring that each position's salary rate is fair and equitable in relation to other CPC positions covered by the plan.
3. The salary survey and Job Evaluation Plan will serve as the basis for establishing salary grades, each with a range that includes a minimum and a market rate. The market rate will be 25% above the minimum.
4. Each position is assigned to a salary grade based on the results of the job evaluation. The Executive Director makes the final decision on any grade assignments, except that the CPC Board approves the grades for Executive positions.

C. Personally Motivating

1. General
 - a. The salary structure developed as the result of surveys and the job evaluation plan provides a 25% spread between the minimum and market of a range for each salary grade. This spread presents a manager with an opportunity to recognize individual performance and

reward each employee accordingly.

- b. The salary plan is designed to motivate an individual to achieve a high standard of performance by providing annual merit awards which can range from 1% to 10%.

2. Performance Appraisal Program

- a. A key ingredient of the salary plan is the annual performance appraisal which an executive or administrative employee receives from his/her manager. This appraisal serves as the basis for determining the size of the merit award, if any, which the employee will receive. Employees are rated against performance standards which are developed at the beginning of the rating period by the manager in consultation with the employee.

(1) Performance Standards

- (a) The manager will evaluate the employee's performance annually using a Performance Appraisal Form approved by the Executive Director. At a minimum, the evaluation should take into account the following considerations: (1) quantity of work which should be produced; (2) quality of service expected; (3) time in which assignments should be completed or objectives achieved.
- (b) The performance standards are weighted on the basis of their relative importance and are subject to the approval of the Executive Director. A copy of the approved standards shall be furnished to each affected employee covered by the plan.

(2) Appraisal Rating System

- (a) Attached Schedule A is rating system will be used in appraising the performance of employees covered by this salary plan.

IV. **SALARY ADJUSTMENTS**

Under the plan, an employee is eligible for salary adjustments as the result of he range for the grade to which his/her position is assigned or meritorious performance. The former are referred to as equity adjustments and the latter as annual merit awards.

A. Equity Adjustments

1. Such adjustments occur as the result of changes in the salary range for the grade to which the employee's position is assigned or as due to the fact that the employee's position is assigned to a different salary grade.

- a. Range Adjustments

- (1) When there is a range adjustment, the employee's salary will retain the same relative position in the range in reference to the new market rate as existed with the previous market rate. Thus, an employee whose salary was 95% of the old market rate will be 95% of the new market rate.

- b. Grade Changes

- (1) Changes in an employee's level of responsibility can result in his/her position being assigned to a different salary grade. If an employee's position is assigned to a higher salary grade, the incumbent will normally have his/her salary adjusted to the minimum of the grade or receive a 5% increase, whichever is greater.

When an employee's position is assigned to a lower salary grade, his/her salary may be reduced to the top of the lower salary grade or retained at the existing level. Should the salary be above the market value of the new grade, the employee's salary may be "red-circled" until it is at least equivalent to the new market rate.

B. Merit Adjustments

1. An employee's eligibility for merit salary adjustments will be based on performance ratings, salary position within the grade and in accordance with the following criteria:

- a. Below the Market Rate - Employees will be eligible for annual merit awards as long as they exceed the performance standards for their position. Such annual merit awards are added to the employee's previous base salary until the employee reaches the market rate for his/her position.

- b. At the Market Rate - After an employee reaches the market rate of the range, he/she must perform at a level which exceeds the standards for his/her position in order to continue to receive merit awards. An employee who meets but does not exceed performance standards after reaching the market rate will only be eligible for equity adjustments. The annual merit awards are paid on a lump-sum basis

in the fall of each year as a percentage of the employee's annual salary.

- c. Disciplinary Cases - An employee, otherwise subject to this plan, shall not be eligible for a merit salary adjustment in any year in which disciplinary action, more severe than a reprimand letter, has been taken against that employee in that year.

V. Funding of Salary Increase

- A. The funding of equity increase and annual merit awards shall be within funding levels authorized by the CPC Board of Directors. CPC department heads will be responsible for requesting the necessary funds for such increases in their annual budgets. Equity increases will be included in each department's annual budget for salary and benefits and will be based on salary survey findings and any anticipated adjustments in salaries emanating from job evaluation. The annual merit award budget will be listed as a separate transfer from net operating income; each department will budget a specific percentage of their total annual salaries for executive and administrative employees for annual merit awards. At the end of each fiscal year, a transfer of the approved budgeted amount from net operating income will be made into the Exempt Merit Pool. Awards based on performance will be made from the Exempt Merit Pool in accordance with the above guidelines.

SCHEDULE A

RATING SYSTEM

<u>Numerical Rating</u>	<u>Description</u>
4	<u>Substantially Exceeds Standard</u> - The employee has exceeded the performance standards significantly in terms of quantity produced, quality of service rendered and time required to complete the service or achieve the goal; the level of performance is far above the anticipated level.
3	<u>Exceeds Standards</u> - The employee has generally exceeded the performance standards in terms of quantity produced, quality of service rendered, and time to complete the assignment or achieve the goal (i.e. the level of performance is noticeably better than required).
2	<u>Meets Standards</u> - The employee is satisfactorily meeting the performance standards in terms of quantity produced, quality of service rendered and time required to complete the assignment or achieve the goal (i.e. the level of performance is as good as or somewhat better than was anticipated).
1	<u>Needs Improvement</u> - The employee is generally not meeting the performance standards in terms of quantity produced, quality of service rendered and time required to complete the assignment or achieve the goal (i.e. there is a recognizable need for the employee to improve in order to reach an acceptable level).
0	<u>Unacceptable Level</u> - The employee has failed to meet the performance standards in terms of quantity produced, quality of service rendered and time required to complete the assignment or achieve the goals.

Using the above scale, the manager evaluates the subordinate on each of the standards which have been developed for the latter's position. Managers can use a .5 rating in their evaluations (i.e. 2.5). The appraisal form is next submitted to the next higher level of management (i.e. Department Head or Executive Director) for review.

For executive and administrative employees within a given organizational unit, the Department Head recommends an annual merit award as a percentage of the employee's base salary, which an employee should receive based on the average weighted rating and merit adjustment procedures (See IV.B) below. The Executive Director recommends the amount of merit increase for each department head to the CPC Board.

After the Board acts upon the merit salary increase proposal for each department head, the Executive Director conducts an interview with the employee to discuss the performance ratings.

The Executive Director acts upon the requests for executive and administrative employees who are not department heads. The Executive Director signs the performance appraisal and returns it to the appropriate department head so that the manager who supervises the executive or administrative employee can conduct a performance appraisal with the employee to discuss the performance rating and advise the employee of any merit increase.