



APPENDIX A

AGENCY SALARY ADMINISTRATION PLAN GUIDELINES

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AGENCY SALARY ADMINISTRATION PLAN GUIDELINES

The ***Agency Salary Administration Plan Guidelines*** are intended to help state agencies prepare for implementation of the State's Compensation Management System and serve as a continuous framework for updating ***Agency Salary Administration Plans***, as agency business needs change. Additionally, these guidelines will provide agencies a framework in which to formulate their internal job evaluation processes and salary administration policies to support their agency's mission and organizational needs. These guidelines contains ideas, alternatives and options for agencies to consider as they design their own approach to implementing the new compensation components outlined in the Compensation Management System. These guidelines should serve as a resource to agencies and should not be perceived as a comprehensive listing of all options available to agencies in implementing the Compensation Management System.

During the transition to the State's Compensation Management System that will begin September 25, 2000, agencies will not have to develop an ***Agency Salary Administration Plan***. This transition period is a time when agency management becomes familiar with the new job evaluation and compensation components and begins to formulate and operationalize their ***Agency Salary Administration Plan*** based on their organizational needs. A ***Transition Planning Checklist*** has been developed for agencies to use during this transitional period that includes items that should be considered for implementation. This checklist will serve as the precursor for the ***Agency Salary Administration Plan***.

The ***Agency Salary Administration Plan*** is the document that outlines how agencies will implement the Compensation Management System. It will address specifically how the agency intends to implement the compensation and performance management components. This document will become the foundation for ensuring consistent application of pay administration decisions.

The ***Agency Salary Administration Plan*** is the basis for agency policy. Agencies will be held accountable for actions taken in accordance with their plan. It will be submitted to the State Department of Human Resources Management (DHRM) for review. Approval will not be required; however, DHRM will conduct post audits to ensure that ***Agency Salary Administration Plans*** are in compliance with EEO requirements and state policy. Additionally, DHRM will serve as a resource to agencies to assist with plan development.

The framework outlined in this guide is designed to address the components an agency should typically include in their **Agency Salary Administration Plan**. Each of the plan's components outlines issues to be considered as agencies develop their internal salary administration policies, and potential options regarding the agency's internal approval process. Each agency should decide the level of approval needed for various salary administration decisions.

All agencies are required to develop an **Agency Salary Administration Plan** that addresses their salary administration policies for the new pay practices outlined in the Compensation Management System.

I. EFFECTIVE DATE

An **Effective Date** should be clearly designated in the agency's **Salary Administration Plan**. The **Effective Date** for initial implementation will be September 25, 2000, and thereafter would reflect the date the plan is changed or modified.

Once an **Agency Salary Administration Plan** has been developed, there should be an on-going review of its continued applicability to the agency's mission and organizational needs. The **Agency Salary Administration Plan** will need to be revised when legislation approved by the General Assembly impacts parts of the plan. The following are several review options available to agencies:

- The **Agency Salary Administration Plan** may be effective until the agency decides to make a change/revision based on changing organizational needs.
- The **Agency Salary Administration Plan** may be reviewed and revised on a scheduled basis (i.e., fiscal year review, reviewed in conjunction with the agency's strategic plan, etc.)
- The **Agency Salary Administration Plan** may be revised to conform with any legislation approved by the General Assembly that may impact parts of the plan.

II. AGENCY SALARY ADMINISTRATION PHILOSOPHY AND POLICIES

The Commonwealth's **Compensation Philosophy** is to pay employees in a manner sufficient to support and develop a high performance workforce that provides quality service in a fiscally responsible manner to the citizens of Virginia. The Commonwealth's **Compensation Philosophy** should be the foundation used by agencies in the development of their individual **Salary Administration Philosophy**.

A **Salary Administration Philosophy** is a formal statement of the basic goals and values that will guide the design, implementation and administration of the agency's compensation program. The **Salary Administration Philosophy** ensures that all compensation decisions are consistent with the agency's mission, goals, business objectives and culture. Therefore, it is important that agencies take into consideration

their unique organizational needs when developing their **Salary Administration Philosophy**:

1. Identify recruitment markets and level of market competitiveness:

Where possible agencies should determine the applicable recruitment markets (e.g. local, regional, and national) for all jobs. DHRM can assist with this process. Identification of different recruitment markets will assist in determining market competitiveness for agency jobs. To determine their desired level of competitiveness of their compensation program, agencies may want to identify certain segments of their workforce that have the most significant impact on the agency's mission and services. Some options and considerations in identifying recruitment markets and level of market competitiveness are listed below:

- Identify different groupings of similar jobs (e.g. senior administrative staff, department directors, licensed professionals, clerical, etc.).
- Define the typical recruitment markets for each of these job groupings.
- Determine the agency's market position relative to each of these defined recruitment markets.
- Designate the general approach of how the agency will position itself in relation to the market.
- Identify specific high impact jobs (operationally critical) where salary dollars should be targeted.
- Emphasize **total compensation** (base pay and benefits) rather than strictly base pay.

2. Internal Considerations:

Agencies should consider a number of internal factors which demonstrate the range of flexibility they have in developing their **Salary Administration Philosophy**:

- **Duties and responsibilities:**
 - compensating the employee based on the predominant or usual duties or
 - paying the employee for the highest level of skills and abilities or
 - determining internal salary rates using performance, behavioral competencies and technical expertise
- **Agency Distribution of Increases:**
 - granting the highest pay increases to those who contribute most to meeting agency goals or
 - ensuring that employees at all levels of the organization participate equitably
- **Bonus Payment Decisions:**
 - administered centrally or

- delegated to individual agency managers
- **Pay Administration:**
 - using established rules and controls with little management discretion in pay determinations or
 - providing management with tools that will allow for flexibility in making pay decisions
- **Human Resource Responsibility:**
 - control or
 - consulting or
 - shared ownership
- **Administrative Responsibility:**
 - centralized human resources oversight (equity balance) or
 - decentralized management accountability for pay decisions

3. **Funding Considerations:**

Agencies should review Section 4-6.01 k of the 2000 Appropriation Act dealing with funding of salary increases including promotions, reallocations and In-Band Adjustments.

k. 1. Except as otherwise provided for in this subdivision, increases in the level of compensation for any job role contained in the compensation and classification plans approved by the Governor shall be effective beginning with the first pay period, defined as the pay period from June 25 through July 9, of the fiscal year if: (1) the agency certifies to the Secretary of Finance that funds are available within the agency's appropriation to cover the cost of the increase for the remainder of the current biennium and presents a plan for covering the costs next biennium and the Secretary concurs, or (2) such funds are appropriated by the General Assembly. If at any time the Secretary of Administration shall certify that such change in the level of compensation for a job role is of an emergency nature and the Secretary of Finance shall certify that funds are available to cover the cost of the increase for the remainder of the biennium within the agency's appropriation, such change in compensation may be effective on a date agreed upon by these two Secretaries. The Secretary of Administration shall provide a monthly report of all such emergency changes in accordance with § 4-8.00, Reporting Requirements.

2. Salary adjustments for any employee through a promotion, reallocation, or in-range adjustment shall occur only if: (1) the agency has sufficient funds within its appropriation to cover the cost of the salary adjustment for the remainder of the current biennium or (2) such funds are appropriated by the General Assembly.

4. **Other Agency Policies:**

Additionally, agencies should review all of their existing policies, practices and information systems requirements to determine if revisions and adjustments need to be made in order to conform to the new provisions of the Compensation Management System.

III. RESPONSIBILITIES

The agency needs to outline the types of actions each level in the organization is responsible/accountable for in order to implement the Compensation Management System. It is suggested that responsibilities be identified for the following:

- Administration (the Agency Head's executive management team)
- Fiscal/Budget
- Managers
- First-line Supervisors
- Employees
- Human Resources

The agency may also want to establish a **Compensation Committee** composed of key executives/decision-makers in the organization. The role of the **Compensation Committee** may be to establish agency compensation policy and provide for evaluation of the Compensation Management System. Committee members may include Human Resources staff, Budget staff, and agency program managers.

The chart below outlines some suggested options for identifying responsibilities within the organization and should not be perceived to be an exhaustive listing of all possibilities.

Responsibility (Examples)	ADMINISTRATION	FISCAL/BUDGET	COMPENSATION COMMITTEE	MANAGER	FIRST-LINE SUPERVISOR	EMPLOYEE	HUMAN RESOURCES
Establish agency Salary Administration Philosophy							
Establish agency salary administration policies							
Provide employees information on new compensation plan							
Provide training to managers and employees							
Develop a list of compensation priorities for the agency							

Responsibility (Examples)	ADMINISTRATION	FISCAL/BUDGET	COMPENSATION COMMITTEE	MANAGER	FIRST-LINE SUPERVISOR	EMPLOYEE	HUMAN RESOURCES
Assess salary priorities and departmental needs in developing and acting on pay practices							
Establish and allocate positions into proper Role							
Determine responsibility for assigning Work Titles							
Information gathering/support for increase <ul style="list-style-type: none"> • Percentage increase requested • Source of funding • Total percent of previous increases during current fiscal year • Address any internal alignment issues in department? • Justification for percentage increase requested addressing: <ul style="list-style-type: none"> – Agency Business Need – Duties and Responsibilities – Performance – Work Experience and Education – Knowledge, Skills, Abilities and Competencies – Training, Certification and License – Internal Salary Alignment – Market Availability – Salary Reference Data – Total Compensation – Budget Implications – Long Term Impact – Current Salary 							
Recommend pay actions							
Approve pay actions							
Negotiate salaries with applicants and employees							
Negotiate within employee initiated pay practices							
Review use of pay practices							
Establish readiness criteria for decentralization within the agency							
Identify what functions and pay decisions will be decentralized							
Provide feedback to employee on Performance Evaluation							
Employee's current performance rating							
Encourage and coach employee career development							
Seek career development opportunities							

Responsibility (Examples)	ADMINISTRATION	FISCAL/BUDGET	COMPENSATION COMMITTEE	MANAGER	FIRST-LINE SUPERVISOR	EMPLOYEE	HUMAN RESOURCES
Self development and application of new skills, competencies							
Respond to employee appeals							
Provide for program evaluation							
Collect data and provide reports							
Reviewing and following up on reports							
Review EEO impact of salary decisions, Role allocations, and other decisions impacting pay or potential pay							
Stay informed about compensation program							

IV. RECRUITMENT AND SELECTION PROCESS

The agency needs to determine the level of flexibility or control they wish to allow in employment practices. Some potential considerations are outlined below:

- **Advertising Jobs:**
 - use of Work Titles or Role Titles
 - use of a hiring range (e.g. use the entire pay band, use a segment of the pay band based on pay determination factors, etc.)

- **Recruitment:**
 - information to potential candidates about career development opportunities
 - information to potential candidates about possible opportunities to progress through the pay bands

- **Selection:**
 - starting pay determinations (e.g. centralized in the Human Resources Department, decentralized to hiring manager; or a combination approach)

- **Documentation (Tools and Forms):**
 - Employee Work Profile
 - Pay Action Worksheet
 - agency developed forms containing all required information

V. PERFORMANCE MANAGEMENT PROCESS

Performance Management will be implemented as Phase II of the Compensation Management System. Once guidelines are complete, agencies will be provided with additional guidance on developing the agency's Performance Management Process.

VI. PAY PRACTICE PROCESS

In determining salaries, agency management must take the following pay determination factors into consideration:

- Agency Business Need
- Duties and Responsibilities
- Performance
- Work Experience and Education
- Knowledge, Skills, Abilities and Competencies
- Training, Certification and License
- Internal Salary Alignment
- Market Availability
- Salary Reference Data
- Total Compensation
- Budget Implications
- Long Term Impact
- Current Salary

Agencies need to determine the level of flexibility or control they will allow in the administration of pay practices. The form on the next page may be help at identifying where authority for individual pay practices falls within the agency.

Pay Practice	Pay Guidelines	Authorization
Starting Pay New employee Rehires	Negotiable from minimum of pay band up to 15% above current salary not to exceed pay band maximum (Exceptions higher than 15% may be granted as appropriate at agency discretion)	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Promotion Movement to a different Role in a higher pay band	Negotiable from minimum of new pay band up to 15% above current salary. (Salary may not be below the minimum of the new pay band.)	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Voluntary Transfer – Competitive Movement within same Role or to different Role in the same pay band	Negotiable from minimum of pay band up to 15% above current salary not to exceed pay band maximum	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Voluntary Transfer – Non-Competitive Movement within same Role or to different Role in the same pay band	Negotiable from minimum of pay band up to 10% above current salary not to exceed pay band maximum	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Voluntary Demotion Movement to a different Role in a lower pay band	Negotiable from minimum of pay band up to current salary not to exceed pay band maximum (Agency option to freeze salary above maximum for 6 months)	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Temporary Pay Assuming new duties and responsibilities on a temporary basis	For Higher Pay Band 0-15% above current salary not to exceed pay band maximum	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
	For Same Pay Band 0-10% increase not to exceed pay band maximum	
Role Change (Formerly Reallocation)	Upward: 0-10% increase or to minimum of higher pay band	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
	Downward: No change in salary unless above maximum of the lower pay band, reduce after six months	
	Lateral: 0-10% increase not to exceed pay band maximum	
In-Band Adjustment – Change in duties – Application of new KSA's, competencies – Retention – Internal alignment	0-10% increase not to exceed pay band maximum, maximum 10% per fiscal year for In-Band Adjustments (to include any increase for Lateral Role Change)	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Disciplinary or Performance-related Salary Action	Minimum 5% decrease or to lower pay band	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other
Competitive Salary Offer	Match outside offer not to exceed maximum of pay band	<input type="checkbox"/> Centralized (approved by HR) <input type="checkbox"/> Decentralized to management <input type="checkbox"/> Shared accountability <input type="checkbox"/> Other

Listed below are some **potential** options and considerations for the administration of pay practices. However, this is not intended to be an exhaustive listing of all options available in implementing the new pay practices.

1. Starting Pay:

- use the same percentage of increase for all new hires
- use variable increases (minimum of pay band to 15% above current salary) based on recruitment difficulty, criticality of job or other pay factor determinations
- exceptions to starting pay approved by top administrator or designee

2. Promotion:

- assign set percentage (minimum of pay band to 15% maximum) for all agency promotions (e.g. all incumbents would receive 3%, 5%, 8%, etc.)
- allow for variable increases determined by management based on pay determination factors
- ___% without Human Resource approval and ___% to 15% with Human Resources approval

3. Voluntary Transfers (Competitive – same or different Role in same pay band):

- assign set percentage (minimum of pay band to 15% maximum) for all competitive voluntary transfers (e.g., all incumbents would receive 3%, 5%, 8%, etc.)
- allow for variable increases determined by management based on pay determination factors
- ___% without Human Resource approval and ___% to 15% with Human Resource approval
- establish guidelines for not giving salary increase
- establish guidelines for reducing incumbent's current salary

4. Voluntary Transfers (Non-Competitive – same or different Role in same pay band):

- assign set percentage (minimum of pay band to 10% maximum) for all non-competitive voluntary transfers (e.g. all incumbents would receive 3%, 5%, 8%, etc.)
- allow for variable increases determined by management based on pay determination factors
- ___% without Human Resource approval and ___% to 10% with Human Resource approval
- establish guidelines for not giving salary increase

- establish guidelines for reducing incumbent's current salary

5. Voluntary Demotions:

- assign set percentage of decrease for all voluntary demotions
- reduce all incumbents' salaries to pay band minimum
- allow for variable decreases determined by management based on pay determination factors
- no change in salary for voluntary demotions
- determine agency option of freezing salary above maximum for 6 months

6. Temporary Pay (different Role in higher pay band):

- assign set percentage (0% to 15% maximum) for all temporary pay situations (e.g. incumbents would receive 3%, 5%, 8%, etc.)
- allow for variable increases determined by management based on pay determination factors
- ___% without Human Resource approval and ___% to 15% with Human Resource approval
- establish time period for receiving temporary pay
- determine how extension request will be handled and approved

7. Temporary Pay (different Role in same pay band):

- assign set percentage (0% to 10% maximum) for all temporary pay situations (e.g. incumbents would receive 3%, 5%, 8%, etc.)
- allow for variable increases determined by management based on pay determination factors
- ___% without Human Resource approval and ___% to 10% with Human Resource approval
- establish time period for receiving temporary pay
- determine how extension request will be handled and approved

8. Role Change (Upward or Lateral):

- assign set percentage (0% to 10% maximum) for all Upward or Lateral Role Changes (e.g. incumbents would receive 3%, 5%, 8%, etc.)
- allow for variable increases determined by management based on pay determination factors
- ___% without Human Resource approval and ___% to 10% with Human Resource approval
- no change in pay for Lateral Role changes

9. In-Band Adjustments:

- Percentage of increase determination:

- make all in-band applications a set percentage (e.g. 3%, 5%, 8%, etc.)
 - assign different percentage to different applications (e.g. change in duties=3%; retention=5%, etc.)
 - allow management flexibility to determine in-band salary amount (0% to 10%) based on pay determination factors
- Limits:
- ___% without Human Resource approval and ___% to 10% with Human Resource approval
 - no limits can offer 0% to 10%
- Timing:
- grant in-band adjustments on established dates (e.g. beginning of fiscal year, quarterly, at time of performance evaluation time, etc.)
 - allow in-band adjustments any time during the fiscal year
- Frequency:
- grant entire increase at one time
 - grant staggered increases (e.g. 2.5% now and 2.5% in 6 months)

10. Disciplinary or Performance Related Salary Action:

- mandatory 5% minimum salary reduction (note: if in same pay band, salary cannot be below minimum and if in lower pay band cannot exceed new maximum salary)
- allow for variable decreases greater than 5% determined by management based on pay determination factors

11. Competitive Salary Offer:

Once the critical need to make a competitive offer has been determined:

- match outside salary offer not to exceed maximum of pay band
- ___% without Human Resources approval and ___% up to outside offer with Human Resource approval

VII. RECOGNITION AWARD PROCESS

Agencies need to determine the level of flexibility or control they will allow in the administration of recognition awards. Listed below are some *potential* options and considerations for the administration of recognition awards. However, this is not intended to be an exhaustive listing of all options available to agencies.

- limit amount of award to \$____ or any other amount up to \$1,000 per fiscal year

- limit when awards are given (beginning of fiscal year, semi-annually, at performance evaluation time, etc.)
- \$___ without Human Resources approval and \$___ to \$1,000 with Human Resource approval
- develop written procedures for giving recognition awards to ensure that all employees are aware of award requirements
- agencies usage of recognition awards (individual, group/team awards, “on-the-spot” or established awards)

VIII. HOURLY EMPLOYEES

Agencies need to consider how hourly employees are treated under the Pay Practices, the Performance Management program and Employee Recognition programs.

IX. PROGRAM EVALUATION

Agencies need to develop a method of evaluating the implementation of the Compensation Management System. It is important to note that the individuals involved in making pay determination decisions should not be responsible for evaluating the effectiveness of the Compensation Management Program. The following is a list of evaluation options agencies may consider in developing their evaluation program.

Monitor

- adherence to policy
- patterns of salary actions
- compliance with the law (ex. FLSA)

Schedule of Review

Conduct periodic reviews of pay practice activity, including demographic (race, gender, Role, Pay Band) distribution of salary actions.

- quarterly
- semi-annually
- annually

Selection of Individual Pay Actions for Evaluation

- select ___% sample (to be determined by the agency) of pay actions to review
- select 100% of all pay actions for review
- review and evaluation should include:
 - types of actions used
 - percentages given
 - EEO impact

Review of Trends: Monitor distribution of salary actions by Role Title and pay band and the fiscal impact of the program

- evaluate trends within departments
- evaluate trends across the agency
- use tools such as scattergrams to identify trends
- communicate findings back to departments
- consider opportunities for decentralization

Other Evaluation Issues

- comparison of budgeted amount to payroll amount - determine how much money is being spent
- develop a process to track budget issues
- assign responsibility for tracking budget issues and dealing with overspending

Evaluation of the Compensation Program's Effectiveness

- impact of compensation management on accomplishing the agency's mission
- impact on employee relations and morale in the agency
- impact on staffing
- impact on employee and management development

Identification of Action Plan

- identify areas of concern and department managers/supervisors that need additional training and communications

X. APPEAL PROCESS

- Rely on the state grievance process
- Supplement with an agency-specific internal appeals process to handle employee or manager inquiries

XI. EEO STATEMENT

All agency plans must include an EEO statement. A suggestion is included below:

All salary adjustments must be based on legitimate reasons as detailed in the pay determination factors and must be unrelated to race, gender, national origin, age, religion, political affiliation, or disability.

XII. COMMUNICATIONS PLAN

The agency needs to develop a **Communication Plan** that addresses how information on the new Compensation Management System will be delivered to all levels of agency staff and how training will occur. A suggested **Communication Plan** structure may include:

1. identification of the various agency audiences (e.g. senior management, middle management, employee, etc.);
2. description of the content of the training materials and the level of information shared for each of the audience groups (training outline and content);
3. outline of the methods in which information will be communicated to each audience group (e.g. management briefings, presentation at division staff meetings, employee meetings, brochures, newsletter articles, video-tapes, distance learning technology, website, etc.); and
4. timeframes for each of these communication strategies.

Additionally, communication of the Compensation Management Plan should be perceived as on-going. As new employees enter the agency and other phases are implemented (e.g. Performance Management), the **Communication Plan** should address how this information will be disseminated. Some areas to consider when developing the **Communication Plan** include the following:

- new employee orientation
- communication to applicants
- new Compensation Management System refinements/developments

XIII. AUTHORIZATION AND SIGNATURE

All Agency Salary Administration Plans must be approved, signed and dated by the Agency Head and the Human Resources Director, and submitted to the Department of Human Resources Management.