

NOVEMBER 12, 2013

CRITICAL COMPENSATION FUND GUIDELINES — Round 2

UW-Madison salaries have fallen behind the market for both our faculty and staff. According to data published in April 2013 by the Association of American University Professors, UW-Madison salaries are well below the median. Full professors at UW-Madison have been in 12th (last) place among their peers for years, while assistant professors have been in 11th place. In the aggregate, UW-Madison faculty salaries are almost 12 percent below the peer group median, the second lowest point since 1985. It also continues to be difficult to attract and retain academic and classified staff, particularly in highly-technical fields.

To address this increasingly critical situation, the university has again decided to proceed with a plan in 2013-14 to provide the authority and funding to help address this compensation gap. An allocation of 1 percent of GPR funds generated by all eligible employee groups has been budgeted (see attached allocation). The purpose of this Critical Compensation Fund (CCF) is to preserve the university's ability to carry out its mission by providing funding to increase the compensation of critical faculty and staff. This strategy will not involve across-the-board increases. Instead, we will provide targeted pay increases to address equity, retention, market influences and, for classified employees, exceptional performance.

A. Criteria for CCF awards*1. Faculty, Academic Staff and Limited*

- a. CCF funding will be allocated for market, retention and equity purposes. *This is not a pay plan based on merit.*
- b. Satisfactory performance is, however, necessary for an employee to be eligible for an adjustment.
- c. For faculty, the relevant time span for consideration normally may reach back five years preceding the recommendation of an adjustment to the dean. Achievement recognized by awards and prizes can trigger a market or equity issue which the CCF can address. Departments and deans are urged to also consider evidence of significant educational innovation.

Examples of indicators of satisfactory or better performance:

1. External peer-reviewed evidence of achievement
 - a. Achievement recognized in *nearly all fields* (e.g., election to AAAS);
 - b. Achievement recognized in *some fields* (e.g., Guggenheim Fellowship);
 - c. Achievement recognized in a *specific field* (e.g., significant recognition of publication, research awards, program project awards).

2. Internal peer-reviewed evidence of achievement
 - a. Award based on a *campuswide process* (e.g., a WARF Professorship, Distinguished Teaching Awards);
 - b. Achievement related to a *group of units* (e.g., a cluster or split appointment).

These are illustrative rather than exhaustive; in all cases, local units and schools should decide on valid evidence of satisfactory or better achievement.

2. Classified Staff

- a. The Discretionary Merit Compensation (DMC) program will be used to provide CCF compensation increases. The DMC program requires exceptional performance as the basis for an adjustment. All classified CCF adjustments will be base-building increases (not lump sums). The campus DMC policy (see below for link) describes the guidelines for these adjustments.
- b. During the time CCF funding is available, units will still have the ability to provide increases using their own (i.e., non-CCF) funds. The combination of increases provided with internal funds and CCF funds cannot exceed the limits prescribed in the State of Wisconsin DMC program (i.e., four steps).

B. Eligibility for CCF awards

1. Academic and Limited Staff – Academic and limited staff are eligible for adjustments, except as follows:
 - a. Category A academic and limited staff may not exceed their pay range maximums EXCEPT as noted below;
 - b. Employees with fixed-term terminal or hourly appointments are not eligible;
 - c. Newly-hired employees must have been employed at UW-Madison for at least 12 months (as of the CCF raise effective date) to receive a CCF raise, because it is assumed they were hired at competitive rates; and
 - d. Re-employed annuitants.

Note: Category A academic staff may receive a CCF award of up to 3 percent above the category A range maximum if they are currently within 3 percent of the range maximum for their title AND cannot be promoted because of their title (e.g., program manager series) or prefix level (e.g., senior or distinguished). Although it is possible to promote an employee in a senior-prefix title to the distinguished level, this is not a natural progression. Therefore, for purposes of this CCF, employees in senior-prefix titles are not considered to be eligible for promotion.

This is a one-time ESR for use during this CCF only. Divisions must identify these adjustments on their CCF spreadsheets. Employees who receive these adjustments are also eligible for the 1 percent pay plan increase effective in FY

2014-15, but are not eligible for other base adjustments unless a separate ESR is submitted by the division with specific market data for the position and approved by APO. Neither academic staff with current ESRs nor limited employees are eligible for this one-time ESR. Academic staff who can be promoted to a higher prefix should be considered for promotion instead of CCF. It is also possible for a newly-promoted employee to receive a CCF.

2. Faculty – All faculty are eligible. However, faculty hired at market rates within the last two years or who received a market rate base adjustment for retention (does not include high-demand adjustments) within the last two years should not receive first consideration. A faculty member can receive a CCF adjustment as well as a high-demand adjustment in 2013-14.
 3. Classified Staff – All classified permanent and project employees are eligible for CCF adjustments if they have received a written performance evaluation, with at least a satisfactory rating, in the past 12 months, except:
 - a. Supervisors who have not completed formal performance evaluations on all subordinate employees in the past 12 months;
 - b. Employees in broad band pay schedules must have been in their current appointment for at least 12 months (as of the CCF raise effective date) to receive a CCF raise;
 - c. Employees on probation;
 - d. Employees at their pay range maximums;
 - e. Re-employed annuitants;
 - f. Employees in crafts worker and related positions; and
 - g. Employees in LTE appointments.
 4. Employees who received CCF awards in 2012-13 – Employees who received a CCF increase in 2012-13 are eligible to receive a CCF increase this year. **However, at least 50 percent of 2013-14 CCF funds in each division must go to employees, within each employee category, who did not receive CCF adjustments in 2012-13.** Classified staff who received lump sum payments in the 2012-13 CCF are excluded from the 50 percent calculation. Based on input from governance groups, we strongly encourage units to exceed the 50 percent. The Academic Staff Executive Committee, for example, advised that a more reasonable target would be 70 percent for new recipients. We understand that local employment conditions and pay structures might prevent achieving a target higher than 50 percent. However, we strongly encourage units to make their best efforts to do so.
- C. Effective date** – Adjustments may be effective as early as the first pay period that begins after receipt of the request by the division. For divisions that do not have delegation to establish DMC effective dates, the effective date is the beginning of the pay period after receipt by OHR. CCF decisions must be submitted to OHR no later than March 31, 2014.
- D. Additional CCF guidelines**
1. Campus values and strategic support for interdisciplinary and cross-college partnerships –

Deans/directors should consider the link between department and/or program area and the strategic priorities of the university and the school/college/division.

2. Other types of adjustments – This fund is not a substitute for promotions, or for base adjustments/reclassifications based on changes in job duties, both of which should continue as usual. Classified and academic staff members who work in areas where positions have been eliminated should be reviewed to see if these employees have taken on new duties as a result and, if so, whether those duties warrant CCF adjustments based on changes in duties.
3. Proactive adjustments – Units are encouraged to proactively use CCF funds to retain valued employees. It is not necessary that an outside offer either exist or be pending for a salary increase to be granted under this program. However, each school/college/division must be able to justify the use of the funds in the context of these guidelines.
4. Existing salary equity – To ensure that current salary levels are equitable, units should pay particular attention to employees with similar duties, experience and performance to minimize discrepancies.
5. Distribution equity – Deans/directors must review CCF awards to ensure they reflect an equitable distribution based on gender, race and ethnicity.
6. Base adjustments – All CCF awards will be base salary adjustments.
7. Adjustment minimums
 - a. Academic Staff and Limited – Individual salary increases cannot be less than 2 percent of an employee's current salary or \$1,200 (2 percent of the median academic staff salary), whichever is higher.
 - b. Classified Staff – Individual salary increases cannot be less than 2 percent of an employee's current salary or \$1,000 (\$0.478 an hour), whichever is higher.
 - c. Faculty – Individual salary increases cannot be less than 2 percent.
8. Distribution parameters – CCF funding may not be used to provide general “across-the-board” increases. Each division should strive to provide CCF awards to approximately 30 percent of their employees, in each category, based on the attached data provided by the Budget Office. However, given the limited CCF funding, local pay structures and priorities, and number of employees, it may not be possible to meet the 30 percent target. Under no circumstance can the proportion of division recipients fall below 20 percent of the employees in each category. Divisions may exceed the 30 percent threshold as long as their plans are consistent with the minima that have been established for individual awards, which may require self-funding of some awards.

If a department decides to award CCF raises to fewer than 20 percent of its employees in any employee category, the department must submit a justification for division review and approval.

9. Schedule A (attached) shows the CCF targets by employee category for both the dollar value of salary/wage adjustments and the headcount (at the 30 percent level) of CCF recipients. The dollar value targets are expressed on an all-funds basis. Each division must meet this target by employee category on an all-funds basis. You may exceed this threshold, although additional funding will not be provided (see below). The 30 percent headcount targets are subject to the additional guidance provided above in #9.
10. Using existing base budget to supplement the CCF – Units may supplement, from their base budgets, CCF funding to increase the amount of a base adjustment or the number of recipients.
11. Split or multiple appointments – Agreement on salary base increases must be reached between employing budget units, including UW-Extension, which jointly employ staff members. If CCF salary base adjustments are not agreed to by all employing units, the salary adjustments will not be accepted. When salary base increases are being determined, deans/directors should remember that the increases must be in proportion to the base salary by employing unit.
12. Prior approval of CCF fund transfers – Transfers of state funds between employment types (i.e., faculty, academic staff, classified, limited) will only be permitted with prior approval from the Madison Budget Office and Office of Human Resources.
13. No reassignment of funds – State funding provided for the CCF may not be reassigned to other major cost classes such as supplies or capital, and may not be used to increase the salary rates of vacant positions.
14. CCF Funding - Central campus will provide allocations for the estimated costs of GPR-funded positions (funds 101 and 402). Schedule B (attached) shows the annualized amounts of the allocations by unit. These amounts will be built into your permanent base budget during the 2014-15 budget development cycle. For the current year, six months of funding will be provided – one-half the amount shown in Schedule B. The Budget Office will contact units after the March 31 deadline to coordinate midyear transfer of current year funding. Note that if a division does not meet its required targets, funding may be withheld. The Division of Continuing Studies will issue separate guidance regarding Extension funds.
15. Communication – Each division must ensure that all employees are fully informed of the unit's CCF policy and procedures.

E. Processing CCF adjustments

1. Faculty, academic and limited – Deans/directors are delegated full authority to approve CCF adjustments. Academic Personnel Office approval is not required. Each unit must submit to APO the names, adjustment amounts and effective dates on the spreadsheet provided for entry into HRS. However, each dean's/director's office must maintain records of the justifications for all adjustments and may be asked to produce that information. The justifications should illustrate the relationship between the CCF adjustment and the CCF criteria. Detailed submission information will be sent directly to

each division's HR staff.

2. Classified – All classified raises, including with CCF funds, must follow the campus DMC policy. Classified Human Resources needs to request approval from the Wisconsin Office of State Employment Relations for each adjustment. Deans/directors should use the online discretionary compensation administrator work flow process - <http://apps.ohr.wisc.edu/dmc>.

Campus DMC Policy – <http://www.ohr.wisc.edu/Forms/dmc-policy-instructions.pdf>

3. Campus Monitoring – The Budget Office and OHR will review CCF submissions to determine whether each division is meeting the following CCF requirements:
 - a. At least 50 percent of funds must go to employees, in each category, who did not receive a CCF in 2012-13;
 - b. At least 20 percent of employees in each category must receive a CCF adjustment; and
 - c. CCF awards must be distributed equitably based on gender, race and ethnicity.

*Madison Budget Office
Office of Human Resources*