



TOPIC: USM Biennial Exempt Market Salary Survey Report - Exempt Salary Structures Adjustment

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: March 29, 2012

SUMMARY: Pursuant to Board Policy VII-9.11, the USM is committed to conduct a Biennial Exempt Market Salary Survey to maintain salary competitiveness with the market. When the Board last considered exempt salary structures in 2010, budget constraints did not allow adjustments to keep pace with the labor market. Now four years since the last adjustment, the current market analysis indicates that USM Exempt Salary Structures have fallen behind the market dramatically. Attached is a summary of the 2012 market analysis and options for improving the exempt salary structures.

Under Board policy, the guiding principle of the Exempt Pay Program is to “maintain the Midpoint of Salary Ranges...equal to the current average salary paid for comparable job classes within the appropriate job market.” The two options presented in the attached analysis would advance the exempt salary structures toward that goal as follows:

Option 1 – 15% overall salary structure adjustment: This option would meet the market, consistent with principles articulated in the Board Policy. The cost to implement this option in FY 2013 across the USM is estimated at \$657,175.

Option 2 –13% overall salary structure adjustment: This option improves upon the current lag in USM exempt salary structures, but only partially achieves policy goals. Its estimated cost is \$498,777.

Upon review of the analysis, it was the consensus of the USM vice presidents for administration and the institution presidents to recommend adoption of Option 1.

In the course of deliberations regarding adjustments to the exempt pay structures, it was recognized that the USM Nonexempt Salary Structure will also require improvement. Due to budget constraints, only a partial adjustment was made to the Nonexempt structure in 2009. The USM will undertake its next comprehensive biennial review of the Nonexempt structure later this year, with the expectation that it will prompt recommendations to adjust the Nonexempt Pay Program in FY 2014.

ALTERNATIVE(S): The Board could elect to approve Option 2 or to retain the current Exempt Salary Structures.

FISCAL IMPACT: Implementation of Option 1 is estimated to cost \$657,175 in FY 2013.

CHANCELLOR’S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve Option 1 to adjust the USM Exempt Staff Salary Structures, effective July 1, 2012.

COMMITTEE RECOMMENDATION: _____ DATE: _____

BOARD ACTION: _____ DATE: _____

SUBMITTED BY: Joseph F. Vivona (301) 445-1923



DRAFT - SHRC December 1, 2011

DRAFT - CCC December 8, 2011

FINANCE-BOR March 29, 2012

University System of Maryland

Biennial Exempt Market Salary Survey

Report - Action Item

USM Biennial Exempt Market Salary Survey Recommendation

- ▶ Recommend Option 1 – 15% overall structure adjustment increase
- ▶ Provides the commitment to fully meet the market, comply with the Lead/Lag philosophy and address the compression issue
- ▶ Implementation cost of \$657,175
- ▶ The approved Salary Structures would be in place from July 1, 2012 through June 30, 2014

Guiding Principles and Considerations

The Compensation and Classification Committee (CCC) of the SHRC followed guiding principles established in the Exempt Pay Program as outlined below:

- The USM is committed to conduct a biennial market salary survey to maintain competitiveness with the market. USM's market is local, regional and national depending on the job.
- USM-BOR Policy on Pay Administration for Exempt Positions mandates the use of a market-based salary structure.
- The USM Salary Structures are intended to be in effect for a period of two years and follow a lead/lag philosophy.
- A “Lead/Lag” salary structure strategy has been the USM's established principle and practice. Structures lead the market at beginning of the cycle (i.e. July 1, 2012), meet the market at middle of the cycle (i.e. July 1, 2013) and lag the market at the end of the cycle (i.e. June 30, 2014).
- There are two versions of the USM Exempt Salary Structure: Traditional Salary Ranges (UMB) and Wide Salary Ranges (all others). The minimum at the first Pay Range and the maximum of the highest Pay Range of both structures must be equal.
- The Structure is established to meet the market.
 - Traditional Pay Range midpoints are targeted to match market averages of benchmark jobs.
 - In the Wide Pay Ranges, each job has its own target range, based on its own market average.
- The relationship between the USM Exempt and Nonexempt Salary Structures, and where structures overlap, must be considered to reduce compression.

Survey Guiding Principles and Considerations (cont.)

Primary Concerns

- ▶ Maintain competitiveness with the market – USM Structure not adjusted since 7/1/2008
- ▶ Consider cost of adjusting the Exempt Salary Structure according to market during difficult budgetary times and develop alternatives.
- ▶ Address current relationship between Exempt and Nonexempt Salary Structures
 - Serious compression issues
 - There is considerable overlap between the Exempt and Nonexempt Salary Structures.
 - Target goal of Exempt Salary Structure minimum is to be at par with minimum of Nonexempt Pay Range 10 currently at \$32,271.

Salary Structure Adjustment Proposals

- ▶ Maintain competitiveness with the market, based on market movement during the past 3 years as well as projected movement for the upcoming year
- ▶ Follow Lead/Lag philosophy to which we have committed
- ▶ Address the compression issues between the Exempt and Nonexempt Salary Structures and the need to increase both Salary Structures (Exempt in 2012; Nonexempt in 2013) in order to be competitive with the market.
- ▶ Two options to address the concerns above:
 - **Option 1 – 15% overall structure adjustment increase.** Provides the commitment to fully meet the market, comply with the Lead/Lag philosophy and address the compression issue. Cost of Systemwide implementation of Option 1 is **\$657,175.**
 - **Option 2 - 13% overall structure adjustment increase.** Partially addresses the compression issue and does not fully address market movement. Cost of Systemwide implementation of Option 2 is **\$498,777.**

Systemwide Cost Impact Analysis

| Institution | OPTION 1 | | OPTION 2 | |
|-------------------|---|-------------|---|-------------|
| | Cost based on increase of 15% to Pay Ranges I-V | | Cost based on increase of 13% to Pay Ranges I-V | |
| | Cost | # Employees | Cost | # Employees |
| BSU | \$59,534 | 16 | \$45,821 | 15 |
| CSU | \$23,266 | 12 | \$20,214 | 10 |
| FSU | \$25,978 | 9 | \$20,245 | 7 |
| SU | \$52,560 | 17 | \$42,378 | 15 |
| TU | \$180,810 | 70 | \$137,613 | 58 |
| UB | \$5,490 | 5 | \$4,001 | 3 |
| UMB | \$790 | 37 | \$0 | 0 |
| UMBC | \$101,642 | 47 | \$79,417 | 33 |
| UMCES | \$0 | 0 | \$0 | 0 |
| UMCP | \$133,361 | 65 | \$99,452 | 53 |
| UMES | \$62,818 | 28 | \$43,884 | 27 |
| UMUC | \$10,926 | 120 | \$5,752 | 4 |
| USMO | \$0 | 0 | \$0 | 0 |
| Total Cost | \$657,175 | 426 | \$498,777 | 225 |

CURRENT USM EXEMPT SALARY STRUCTURES

| PAY RANGE | Current Pay Range Minimum | Current Pay Range Midpoint | Current Pay Range Maximum |
|-----------|---------------------------|----------------------------|---------------------------|
| A | \$29,149 | \$38,500 | \$50,000 |
| B | \$31,500 | \$45,000 | \$58,000 |
| C | \$33,500 | \$49,000 | \$62,500 |
| D | \$39,500 | \$57,000 | \$73,500 |
| E | \$46,000 | \$65,500 | \$85,500 |
| F | \$52,500 | \$75,000 | \$97,500 |
| G | \$60,500 | \$86,000 | \$112,500 |
| H | \$70,000 | \$99,500 | \$130,000 |
| I | \$80,500 | \$114,500 | \$148,500 |
| J | \$89,000 | \$132,500 | \$177,500 |
| K | \$116,500 | \$122,325 | \$241,395 |

| PAY RANGE | Current Minimum | Current Maximum |
|-----------|-----------------|-----------------|
| I | \$29,149 | \$74,536 |
| II | \$32,670 | \$94,501 |
| III | \$43,560 | \$129,107 |
| IV | \$60,500 | \$180,290 |
| V | \$78,650 | \$241,395 |

OPTION 1 – PROPOSED EXEMPT SALARY STRUCTURES

TRADITIONAL PAY RANGES (UMB)

| PAY RANGE | OPTION 1 | | |
|---------------------|--|-------------------|-------------------|
| | UMB has no need for Pay Ranges A & B. Propose establish Pay Range C as new minimum of Traditional Pay Ranges's structure using proposed minimum of Wide Pay Range I; no adjustments to Pay Ranges D-J or min of K; adjust only Max of Pay Range K using proposed maximum of Wide Pay Range V | | |
| | Proposed Minimum | Proposed Midpoint | Proposed Maximum |
| <i>A</i> | <i>Not in use</i> | <i>Not in use</i> | <i>Not in use</i> |
| <i>B</i> | <i>Not in use</i> | <i>Not in use</i> | <i>Not in use</i> |
| <i>Adjust C Min</i> | \$33,521 | \$49,000 | \$62,500 |
| D | \$39,500 | \$57,000 | \$73,500 |
| E | \$46,000 | \$65,500 | \$85,500 |
| F | \$52,500 | \$75,000 | \$97,500 |
| G | \$60,500 | \$86,000 | \$112,500 |
| H | \$70,000 | \$99,500 | \$130,000 |
| I | \$80,500 | \$114,500 | \$148,500 |
| J | \$89,000 | \$132,500 | \$177,500 |
| <i>Adjust K Max</i> | \$116,500 | \$175,500 | \$277,604 |

WIDE PAY RANGES (Others)

| PAY RANGE | OPTION 1 | |
|-----------|--|------------------|
| | Propose overall increase of 15% to minimums and maximums of Pay Ranges I-V | |
| | Proposed Minimum | Proposed Maximum |
| I | \$33,521 | \$85,716 |
| II | \$37,571 | \$108,676 |
| III | \$50,094 | \$148,473 |
| IV | \$69,575 | \$207,334 |
| V | \$90,448 | \$277,604 |

TOTAL SYSTEMWIDE COST TO IMPLEMENT OPTION 1 IS \$657,175
IMPACTS 426 EMPLOYEES SYSTEMWIDE

OPTION 2 – PROPOSED EXEMPT SALARY STRUCTURES

TRADITIONAL PAY RANGES (UMB)

| PAY RANGE | OPTION 2 | | |
|---------------------|---|-------------------|-------------------|
| | UMB has no need for Pay Range A. Propose establish Pay Range B as new minimum of Traditional Pay Ranges's structure using proposed minimum of Wide Pay Range I; no adjustments to Pay Ranges C-J or min of K; adjust only Max of Pay Range K using proposed maximum of Wide Pay Range V | | |
| | Proposed Minimum | Proposed Midpoint | Proposed Maximum |
| <i>Delete A</i> | <i>Not in use</i> | <i>Not in use</i> | <i>Not in use</i> |
| <i>Adjust B Min</i> | \$32,938 | \$45,000 | \$58,000 |
| C | \$33,521 | \$49,000 | \$62,500 |
| D | \$39,500 | \$57,000 | \$73,500 |
| E | \$46,000 | \$65,500 | \$85,500 |
| F | \$52,500 | \$75,000 | \$97,500 |
| G | \$60,500 | \$86,000 | \$112,500 |
| H | \$70,000 | \$99,500 | \$130,000 |
| I | \$80,500 | \$114,500 | \$148,500 |
| J | \$89,000 | \$132,500 | \$177,500 |
| <i>Adjust K Max</i> | \$116,500 | \$175,500 | \$272,776 |

WIDE PAY RANGES (Others)

| PAY RANGE | OPTION 2 | |
|-----------|--|------------------|
| | Propose overall increase of 13% to minimums and maximums of Pay Ranges I-V | |
| | Proposed Minimum | Proposed Maximum |
| I | \$32,938 | \$84,226 |
| II | \$36,917 | \$106,786 |
| III | \$49,223 | \$145,891 |
| IV | \$68,365 | \$203,728 |
| V | \$88,875 | \$272,776 |

TOTAL SYSTEMWIDE COST TO IMPLEMENT OPTION 2 IS \$498,777
 IMPACTS 225 EMPLOYEES SYSTEMWIDE