



TOPIC: Biennial Exempt Market Salary Survey Report and FY 2015 - 2016 Structures Adjustment

COMMITTEE: Finance

DATE OF COMMITTEE MEETING: March 27, 2014

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. Attached is a summary of the FY 2014 market analysis prepared by compensation specialists from the USM Office and institutions. This report indicates that, with a moderate adjustment to the exempt salary structure, the USM can achieve reasonable market competitiveness.

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.” After four years of economic downturn that did not allow increases sufficient to keep pace with the labor market, in 2012 the Board adopted a 15% adjustment to the exempt salary structure that made considerable progress toward competitiveness. This year’s report updates labor market trends that indicate annual increases in the market over approximately 3% over the next two fiscal years. It also highlights salary compression concerns resulting from the inability to make market-based adjustments during the recent recession.

The report presents two options to address these issues:

Option 1 – provides for a 5.8% overall salary structure adjustment, which would meet the market, consistent with principles articulated in the Board Policy. It would also make adjustments at the lowest pay ranges to partially address salary compression concerns. The cost to implement this option in FY 2015 across the USM is estimated at \$201,226.

Option 2 – provides for an 8.7% overall salary structure increase and additional adjustments at the lowest pay ranges. This option would both achieve market competitiveness and fully address salary compression issues. Its estimated cost is \$386,069 in FY 2015.

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 2.* Institutional officials agreed that the FY 2015 estimated cost of implementation is sustainable. However, cost estimates for Option 2 are based upon the July 1, 2014 funding of the merit increase included in the Governor’s budget. Should the General Assembly delay funding of the merit increase in the final FY 2105 budget, it will be prudent to postpone the exempt salary structure adjustment accordingly.

ALTERNATIVE(S): The Board could elect to approve Option 1 or to retain the current Exempt Salary Structures.

FISCAL IMPACT: Implementation of Option 2 is estimated to cost \$386,069 in FY 2015.

CHANCELLOR’S RECOMMENDATION: That the Finance Committee recommend that the Board of Regents approve Option 2 to adjust the USM Exempt Staff Salary Structures, effective during the first full pay period of FY 2015 following the implementation of staff merit increases.

COMMITTEE RECOMMENDATION: RECOMMEND APPROVAL

DATE: 3/27/14

BOARD ACTION:

DATE:

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



UNIVERSITY SYSTEM OF MARYLAND

A public system of higher education

University System of Maryland

Biennial Exempt Market Salary Survey
Report and Recommendations

Board of Regents
Committee on Finance
3/27/2014

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Overview: Biennial Exempt Market Salary Survey

The objective of this survey was to analyze market conditions and utilize the data to formulate recommendations to adjust the Exempt Salary Structure for the University System of Maryland Exempt Staff employees.

Pursuant to USM-BOR Policy VII-9.11 Policy on Pay Administration for Exempt Positions, we conducted, in Fall of 2013, a market study of exempt salary structures within the framework of the Traditional and Wide Salary Pay Ranges. The USM's philosophy for Exempt pay is to meet the market at the 50th percentile of each job's market, subject to the following guiding principles and considerations:

Guiding Principles and Considerations

- USM is committed to conducting a biennial market salary survey to maintain competitiveness with the market. USM's market is local, regional or 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 2 years and follow a lead/lag philosophy
- A lead/lag salary structure strategy has been USM's established principle and practice. Structures lead the market at the beginning of the cycle (i.e. at July 2014), meet the market at middle of the cycle (i.e. July 2015) and lag the market at the end of the cycle (i.e. June 30, 2016)
- There are two versions of the USM Exempt Salary Structure: Wide Pay Ranges and Traditional Pay Ranges. The minimum at the first Pay Range and the maximum of the highest Pay Range of both structures must be equal
- Structure is established to meet the market
 - Traditional Salary Structure range midpoints are targeted to match market averages of benchmark jobs
 - Each Wide Salary Structure 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.

Background

Exempt Salary Structures were last adjusted FY2013 (effective July 1, 2012 through June 30, 2014):

- Traditional Salary Structure had a nominal adjustment
- Wide Salary Structure was adjusted 15% for all Pay Ranges. This large increase was the first in four years

Current USM Salary Structures: 07/01/2012 – 06/30/2014

Traditional Pay Range

(UMB only)

PAY RANGE	Current Pay Range Minimum	Current Pay Range Midpoint	Current Pay Range Maximum
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
K	\$116,500	\$175,500	\$277,604

Wide Pay Ranges

(BSU, CSU, FSU, SU, TU, UB, UMBC, UMCES, UMCP, UMES, UMUC, USMO)

PAY RANGE	Current Minimum	Current 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

Major Considerations

In reviewing the salary structure for FY15-16 (effective July 2014 through June 30, 2016), three major considerations were taken into account:

1. Job Market Competitiveness
2. Relationship with USM Nonexempt Salary Structure
3. Pay Range II Compression with Pay Range I in USM Exempt Wide Salary Structure

1. Job Market Competitiveness:

Projected Data, Salary Budget Adjustments - (All Data Published in Calendar Year 2013)

Key Market Surveys	Calendar Year 2013 % Increase Actual	Calendar Year 2014 % Increase (Estimated)	Calendar Year 2015 % Increase (Estimated same as 2014)
HRA-Maryland (Pay Increase Budgets – Exempt Staff)	3.0	3.3	3.3
HRA-Maryland (Exempt Structure Adjustments)	3.5	3.6	3.6
CUPA Professional (Median Salary Increases for all Institutions)	2.0	N/A	N/A
CUPA Administrators (Median Salary Increases for all Institutions)	2.3	N/A	N/A
Compdata (Pay Increase Budgets) Maryland MD – average of Annapolis, Baltimore, Eastern, Cumberland/Hagerstown, Suburban Washington DC	2.4	N/A	N/A
Compdata (Pay Increase Budgets) Colleges and Universities)	2.3	N/A	N/A
Compdata (Pay Range Adjustments) Maryland	1.8	N/A	N/A
Compdata Colleges & Universities (Pay Increase Budgets) East Region All Categories	2.4	2.4	2.4
Compdata Colleges & Universities (Pay Range Adjustments) East Region All Categories	1.9	2.3	2.3
World at Work / Workspan (Salary Budget Increases) National Market Mean	2.9	3.1	3.1
Hewitt Associates (Salary Increase Budgets)	3.0	3.0	3.0
Towers Watson (Salary Increase Budgets)	3.0	2.9	2.9
Mercer	2.8	2.9	2.9
AVERAGE CUMULATIVE ANNUAL INCREASE BUDGETS/STRUCTURE ADJUSTMENTS	2.6	2.9	2.9

- Salary structures are projected to increase an average of 2.9% per year for the 2014 and 2015 calendar years.

2. Relationship Between USM 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 **\$34,105**. This is over \$500 higher than the current minimum salary of the USM Exempt Salary Structures at **\$33,521**.

3. Pay Range II Compression with Pay Range I in USM Exempt Wide Salary Structure and Proposed Correction

In 2004, Pay Range I received a significant increase, which compounded through the years, has resulted in the progression between Pay Ranges I and II to be a lower percentage differential (12%) compared to the progression between the other Pay Ranges (33%, 39%, 30%). Increasing Pay Range II to 20% above Pay Range I will create a more balanced progression.

Rationale for Proposed USM Salary Structure Adjustments

Option I:

Wide Structure - Adjust Pay Ranges I, III, IV and V by 5.8% and Pay Range II to 20% above Pay Range I.

Traditional Structure – Adjust all Pay Ranges by 5.8%.

Projected salary increases in relevant markets are estimated at 2.9% annually over 2015 and 2016. Using a lead/meet/lag philosophy, as of FY2016 (July 2015), our salary structure will be on par with market movement with an adjustment of 5.8%. Additionally, on the Wide Structure this option proposes an additional increase to Pay Range II of 20% above Pay Range I in order to create a more balanced progression. This option uses a lead/meet/lag philosophy. Taking into account the 5.8% increase to all Pay Ranges, the total Pay Range II increase will be 13.3%.

Option II:

Wide Structure - Adjust Pay Ranges I, III, IV and V by 8.7% and Pay Range II to 20% above Pay Range I.

Traditional Structure – Adjust all Pay Ranges by 8.7%.

Projected salary increases in relevant markets are estimated at 2.9% annually over 2015 and 2016. To alleviate the compression between the Nonexempt Salary Structure and the Exempt Salary Structure, Option II also increases Pay Ranges I, III, IV, and V by an additional 2.9%, totaling 8.7%. (Note that the Nonexempt Salary Structure will be reviewed and likely adjusted upward for FY2016). Pay Range II has an additional adjustment of 20% over Pay Range I (similar methodology as Option I). This option addresses not only the progression within the Exempt Salary Structure, but also progressively addresses compression with the Nonexempt Salary Structure. This option uses a lead/meet/lag philosophy. Taking into account the 8.7% increase to all pay ranges, the total Pay Range II increase will be 16.4%.

Cost Impact Analysis By Institution

Costing calculation: Used November 2013 salaries and added 3% COLA 1/1/14, 2.5% Merit 4/1/14 and 2.5% projected Merit 7/1/14.

INSTITUTION	OPTION I		OPTION II	
	Cost based on adjusting Pay Ranges I, III, IV and V by 5.8% and Pay Range II by 13.3%		Cost based on adjusting Pay Ranges I, III, IV and V by 8.7% and Pay Range II by 16.4%	
INSTITUTION	OPTION I		OPTION II	
	Dollars	Employees	Dollars	Employees
BSU	\$2,630	2	\$7,304	3
CSU	\$7,637	3	\$7,922	3
FSU	\$0	0	\$5,315	2
SU	\$12,053	7	\$19,369	10
TU	\$72,067	40	\$120,654	45
UB	\$0	0	\$1,828	2
*UMB	\$22,702	33	68,151	80
UMBC	\$0	0	\$720	6
UMCES	\$957	1	\$1,461	1
UMCP	\$29,131	35	\$69,149	46
UMES	\$13,289	35	\$22,063	39
UMUC	\$40,760	14	\$62,133	32
USMO	\$0	0	\$0	0
TOTAL COST	\$201,226	146	\$386,069	269

*UMB uses the USM Traditional Salary Structure.

Cost Impact Analysis for Option I by Institution and Employee Category

Costing calculation: Used November 2013 salaries and added 3% COLA 1/1/14, 2.5% Merit 4/1/14 and projected 2.5% Merit 7/1/14.

Institution	Option I: Adjust Pay Ranges I, III, IV, V by 5.8%; and Adjust Pay Range II to 20% Above Pay Range I			
	Cost and # of Regular Employees	Cost and # of Contingent II Employees	Cost and # of Contingent I Employees	Total Cost and # of Employees
BSU	\$2,630 - 2	\$0 - 0	\$0 - 0	\$2,630 - 2
CSU	\$3,290 - 1	\$82 - 1	\$4,265 - 1	\$7,637 - 3
FSU	\$0 - 0	\$0 - 0	\$0 - 0	\$0 - 0
SU	\$0 - 0	\$0 - 0	\$12,053 - 7	\$12,053 - 7
TU	\$59,217 - 32	\$12,385 - 7	\$465 - 1	\$72,067 - 40
UB	\$0 - 0	\$0 - 0	\$0 - 0	\$0 - 0
*UMB	\$6,362 - 9	\$3,837 - 9	\$12,503 - 15	\$22,702 - 33
UMBC	\$0 - 0	\$0 - 0	\$0 - 0	\$0 - 0
UMCES	\$0 - 0	\$0 - 0	\$957 - 1	\$957 - 1
UMCP	\$13,834 - 18	\$2,430 - 2	\$12,867 - 15	\$29,131 - 35
UMES	\$10,373 - 29	\$1,458 - 2	\$1,458 - 4	\$13,289 - 35
UMUC	\$39,539 - 11	\$1,221 - 3	\$0 - 0	\$40,760 - 14
USMO	\$0 - 0	\$0 - 0	\$0 - 0	\$0 - 0
TOTAL COST	\$135,245 - 102	\$21,413 - 24	\$44,568 - 44	\$201,226 - 146

*UMB uses the USM Traditional Salary Structure.

Cost Impact Analysis for Option II by Institution and Employee Category

USM SALARY STRUCTURE Costing calculation: Used November 2013 salaries and added 3% COLA 1/1/14, 2.5% Merit 4/1/14 and projected 2.5% Merit 7/1/14.

Institution	Option II: Adjust Pay Ranges I, III, IV, V by 8.7% and Adjust Pay Range II to 20% Above Pay Range I			
	Cost and # of Regular Employees	Cost and # of Contingent II Employees	Cost and # of Contingent I Employees	Total Cost and # of Employees
BSU	\$7,142 - 2	\$162 - 1	\$0 - 0	\$7,304 - 3
CSU	\$4,262 - 1	\$3,660 - 2	\$0 - 0	\$7,922 - 3
FSU	\$5,315 - 2	\$0 - 0	\$0 - 0	\$5,315 - 2
SU	\$287 - 2	\$0 - 0	\$19,082 - 8	\$19,369 - 10
TU	\$98,663 - 37	\$20,554 - 7	\$1,437 - 1	\$120,654 - 45
UB	\$1,828 - 2	\$0 - 0	\$0 - 0	\$1,828 - 2
*UMB	28,116 - 43	16,120 - 17	23,915 - 20	\$68,151 - 80
UMBC	\$231 - 3	\$489 - 3	\$0 - 0	\$720 - 6
UMCES	\$0 - 0	\$0 - 0	\$1,461 - 1	\$1,461 - 1
UMCP	\$35,524 - 23	\$5,414 - 3	\$28,211 - 20	\$69,149 - 46
UMES	\$18,679 - 35	\$1,692 - 2	\$1,692 - 2	\$22,063 - 39
UMUC	\$58,052 - 24	\$4,081 - 8	\$0 - 0	\$62,133 - 32
USMO	\$0 - 0	\$0 - 0	\$0 - 0	\$0 - 0
TOTAL COST	\$258,099 - 174	\$52,172- 43	\$75,798 - 52	\$386,069 - 269

*UMB uses the USM Traditional Salary Structure.

USM Exempt Salary Structure Adjustment Options Summary:

Costing calculation: Used November 2013 salaries and added 3% COLA 1/1/14, 2.5% Merit 4/1/14 and projected 2.5% Merit 7/1/14.

Option I – Addresses both, the commitment to meet the market and also, for the USM Wide Salary Structure, the Pay Range progression issue

USM Wide Salary Structure	\$178,524
USM Traditional Salary Structure	22,702
System-wide Cost of implementation - Option I	\$201,226

Option II– Addresses the commitment to meet the market, Pay Range progression for the USM Wide Salary Structure, and compression with the Nonexempt Salary Structure

USM Wide Salary Structure	\$317,918
USM Traditional Structure	68,151
System-wide Cost of implementation - Option II	\$386,069

USM Exempt Salary Structure Recommendation:

Adopt Option II:

USM Wide Salary Structure: 8.7% increase to Pay Ranges I, III, IV and V and adjust Pay Range II to 20% Above Pay Range I

and

USM Traditional Salary Structure: 8.7% increase to all Pay Ranges

TOTAL COST TO IMPLEMENT = \$386,069

Effective the first full pay period of July 2014 (July 9, 2014 for former BOT Institutions; July 13, 2014 for UM Institutions)

Impacts 269 employees

USM Exempt Wide and Traditional Salary Structures Recommendation

Effective the first full pay period of July 2014 (July 9, 2014 for former BOT Institutions; July 13, 2014 for UM Institutions)

USM WIDE: Adjust Ranges I, III, IV, V by 8.7%; Adjust Pay Range II to 20% Above Pay Range I			
Pay Range	Minimum	Maximum	Minimum Progression %
I	\$36,437	\$93,173	
II	\$43,725	\$126,802	20%
III	\$54,452	\$161,390	25%
IV	\$75,628	\$225,372	39%
V	\$98,317	\$301,756	30%

USM TRADITIONAL: Adjust all Pay Ranges by 8.7%				
Pay Range	Minimum	Midpoint	Maximum	Minimum Progression %
C	\$36,437	\$52,187	\$67,938	
D	\$42,937	\$61,416	\$79,895	18%
E	\$50,002	\$71,470	\$92,939	16%
F	\$57,068	\$81,525	\$105,983	14%
G	\$65,764	\$94,026	\$122,288	15%
H	\$76,090	\$108,700	\$141,310	16%
I	\$87,504	\$124,462	\$161,420	15%
J	\$96,743	\$144,843	\$192,943	11%
K	\$126,636	\$214,196	\$301,756	31%