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**TOPIC:** Biennial Exempt Salary Structure Adjustment for Fiscal Years 2017 and 2018

**COMMITTEE:** Finance

**DATE OF COMMITTEE MEETING:** October 6, 2016

**SUMMARY:** The USM is committed to conducting a biennial exempt market salary survey to maintain salary competitiveness with the market. The attached *Biennial Exempt Market Salary Survey Report* provides a summary of the 2015 market analysis and the recommendation of USM Office and institution officials for improving the exempt salary structures. This report indicates that, with a moderate adjustment to the exempt salary structure, the USM can achieve reasonable market competitiveness.

When the Board last considered exempt salary structures in 2014, an 8.7% salary structure increase was approved and made effective July 1, 2014. Six months later, a 2.0% salary structure increase was approved and made effective January 1, 2015.

The recommendation outlined in the attached report would increase the USM exempt pay structures by 7.625%, reflecting salary market changes from July 1, 2016 to June 30, 2018. Upon review of the analysis, it was the consensus of the USM vice presidents for administration to recommend adoption of this plan.

Concurrent with this recommendation, the USM institutions are preparing to implement necessary salary adjustments to many exempt staff positions, as required by revisions in the Fair Labor Standards Act. These revisions will require institutions to increase the salary of most exempt employees to \$47,476 effective December 1, 2016. The recommended increase to the exempt salary structure would encompass these legally required changes.

If the Board approves the recommended salary structure, it will be implemented in the first full pay period in January 2017 at each institution. The current salary structures would remain in place until that time.

**ALTERNATIVE(S):** The Board could elect to retain the current Exempt Salary Structures.

**FISCAL IMPACT:** Factoring in the salary adjustments that are required by revisions in the Fair Labor Standards Act, implementation of the recommended salary structures is estimated to cost less than the \$2,200,000 included in the attached report.

**CHANCELLOR'S RECOMMENDATION:** That the Finance Committee recommend that the Board of Regents approve adjustment of the USM Exempt Staff Salary Structures, effective on the first full pay period of January, 2017.

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COMMITTEE RECOMMENDATION:

DATE:

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BOARD ACTION:

DATE:

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

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# University System of Maryland

## *Biennial Exempt Market Salary Survey*

### Report and Recommendations

Board of Regents  
Committee on Finance  
10/6/2016

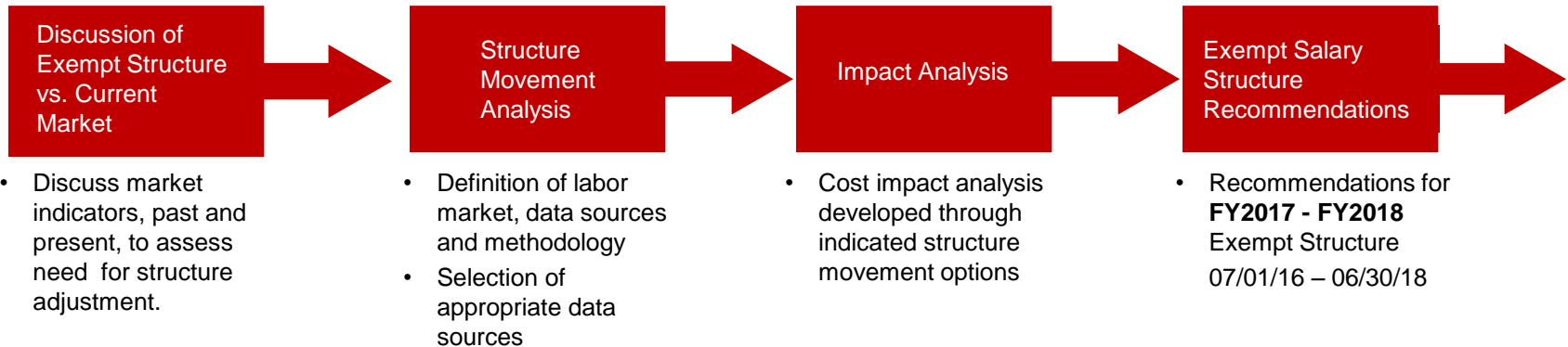
Authored by the USM Classification & Compensation Committee  
Chair: Tom Hoffacker

## Table of Contents

<b>Section</b>	<b>Page(s)</b>
Overview	3
Guiding Principles and Considerations	4
Current USM Salary Structures	5
Survey Data	6
Summary Data Findings	7
USM Exempt Salary Structure Adjustment Proposal	8
Rationale for Proposed Salary Structure Adjustments	9
Wide Salary Structure Cost Impact Analysis	10
Traditional Salary Structure Cost Impact Analysis	11
USM Exempt Salary Structures Adjustment Proposal Summary	12
Salary Structures Recommendation	13

# Overview: Biennial Exempt Market Salary Study

The objective of this study was to analyze market conditions and utilize the data to formulate recommendations to adjust the Exempt salary structure for the University System of Maryland (USM) Exempt staff employees.



Pursuant to USM–BOR Policy VII–9.11 Policy on Pay Administration for Exempt Positions, the USM Classification & Compensation Committee conducted 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 50<sup>th</sup> percentile of each job’s market, and the market study analysis was based on this philosophy.

# Guiding Principles and Considerations

The Compensation and Classification Committee (CCC) of the Systemwide Human Resources Committee (SHRC) followed guiding principles established in the Exempt pay program as outlined below:

- ▶ 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., July 1, 2016), meet the market at middle of the cycle (i.e., July 1, 2017), and lag the market at the end of the cycle (i.e., June 30, 2018)
- ▶ 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 to reduce compression
- ▶ As the DOL is considering using the CPI-U as the salary basis for exempt employees, the CCC now needs to consider the relationship between the CPI-U figure and the exempt salary structure

# Current USM Salary Structures

## Traditional Pay Ranges

(UMB)

Pay Range	Current Minimum	Current Midpoint	Current Maximum
C	\$37,166	\$53,231	\$69,297
D	\$43,796	\$62,645	\$81,493
E	\$51,003	\$72,900	\$94,798
F	\$58,210	\$83,156	\$108,103
G	\$67,080	\$95,907	\$124,734
H	\$77,612	\$110,874	\$144,137
I	\$89,255	\$126,952	\$164,649
J	\$98,678	\$147,740	\$196,802
K	\$129,169	\$218,480	\$307,792

## Wide Pay Ranges

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

Pay Range	Current Minimum	Current Maximum
I	\$37,166	\$95,037
II	\$44,600	\$129,339
III	\$55,542	\$164,618
IV	\$77,141	\$229,880
V	\$100,284	\$307,792

# A Look at Our Market: Projected Data, Salary Budget Adjustments (All Data Published in Calendar Year 2015)

Survey Source	Calendar Year 2015 % Increase (Actual)	Calendar Year 2016 % Increase (Estimated)	Calendar Year 2017 % Increase (Estimated same as 2016)
	Mean/Median	Mean/Median	Mean/Median
CUPA Professionals (Median <u>Salary Increases</u> for all Institutions) - Published 3/29/15	2.2		
CUPA Professionals (Median <u>Salary Increases</u> for PUBLIC Institutions)	2.3		
Compdata ( <u>Pay Increase Budget</u> ) Maryland Published late June 2015	2.7	2.7	2.7
Compdata ( <u>Pay Increase Budget</u> ) All areas	2.8	2.8	2.8
Compdata Colleges & Universities ( <u>Pay Increase Budget</u> ) National	2.4	2.5	2.5
Compdata Colleges & Universities ( <u>Pay Increase Budget</u> by Geographic Area) Maryland	2.9		
Compdata Colleges & Universities ( <u>Pay Increase Budget</u> by Geographic Area) East Region All Areas	2.5	2.5	2.5
Exempt Salaried	3.0	3.1/3.0	3.1
ALL	3.0	3.1/3.0	3.1
Mercer - Published May 2015		2.9/3.0	
ERI	2.9	2.7	2.7
Conference Board - Published June 2015 *	3.0	3.0	3.0
<b>AVERAGE</b>	<b>2.8</b>	<b>2.8</b>	<b>2.8</b>

\* Survey source not typically used; was used for Biennial Nonexempt Market Survey Report in August of 2014 due to lack of data from previous sources.

USM Nonexempt Ranges adjusted 4% for July 1, 2015 - June 30, 2017



# Summary Data Findings

- ▶ There has been market movement since the Exempt salary structures were last adjusted in July 2014, followed by a smaller adjustment in January, 2015.
- ▶ Salary structures are projected to move an average of 2.8% per year for the 2016–2017 calendar years.
- ▶ Failing to meet the market puts USM Institutions at a disadvantage when trying to recruit and retain top quality staff.

# USM Exempt Salary Structure Proposal

Adjust all Pay Ranges by 7.625%

## Wide Salary Structure

Pay Range	Minimum	Maximum
I	\$40,000*	\$102,279
II	\$48,001	\$139,195
III	\$59,777	\$177,162
IV	\$83,023	\$247,397
V	\$107,931	\$331,261

\* Only exempt Academic Administrators, as defined by the FLSA, can be paid less than \$47,476.

## Traditional Salary Structure (UMB Only)

Pay Range	UMB Minimum	UMB Midpoint	UMB Maximum
C <sup>1</sup>	\$47,476	\$61,028	\$74,581
D <sup>2</sup>	\$49,000	\$68,652	\$88,303
E	\$54,891	\$78,459	\$102,026
F	\$62,648	\$89,497	\$116,345
G	\$72,194	\$103,219	\$134,245
H	\$83,530	\$119,328	\$155,127
I	\$96,060	\$136,631	\$177,203
J	\$106,202	\$159,005	\$211,808
K	\$139,018	\$235,139	\$331,260

<sup>1</sup> Increase set to new FLSA minimum.

<sup>2</sup> Increase for Pay Range D above 7.625% to distinguish minimum from pay range C.

# Rationale for Proposed Salary Structure Adjustments

Adjust All Pay Ranges by 7.625%

Data shows that salary budget adjustments are projected to increase by 2.8% over 2016 and will likely continue at that rate in 2017. Using a lead/meet/lag philosophy, as of FY2018 (July 1, 2017), our salary structure should be on par with market movement at 5.6%. In order to stay consistent with projected market growth and also incorporate a proactive step to mitigate the impact of future higher wages in the exempt salary market expected to result from the recent FLSA revision an increase to 7.625% is recommended.

*Note: FLSA revisions effective December 1, 2016, require that most non-teaching employees paid less than \$47,476 must be eligible for overtime pay, and thus, cannot be classified as exempt.*

# Systemwide Cost Impact Analysis by Institution and Employee Category: Wide Salary Structure

Institution	Adjust the Full Structure (Pay Range I-V) by 7.625%			
	Regular - # of Employees	Contingent II - # of Employees	Contingent I - # of Employees	Total Cost - # of Employees
BSU	17	4	0	\$73,303
CSU	20	12	3	\$111,495
FSU	26	4	6	\$80,580
SU	18	12	11	\$93,711
TU	119	16	0	\$369,494
UB	12	2	2	\$26,861
UMBC	53	9	0	\$141,473
UMCES	64	4	10	\$5,467
UMCP	125	17	22	\$351,112
UMES	34	3	12	\$105,271
UMUC	40	87	0	\$172,512
USMO	1	0	0	\$4,714
<b>TOTAL</b>	<b>529</b>	<b>170</b>	<b>66</b>	<b>\$1,535,993</b>

Note: These figures were developed prior to the FLSA revisions and prior to the merit increase granted in July 2016.

# Cost Impact Analysis by Employee Category: Traditional Salary Structure

Institution	Adjust the Full Structure (Pay Range C-K) by 7.625%			
	Regular - # of Employees	Contingent II - # of Employees	Contingent I - # of Employees	Total Cost - # of Employees
UMB	219	42	26	\$667,467
<b>TOTAL COST</b>				<b>\$667,467</b>

Note: These figures were developed prior to the FLSA revisions and prior to the merit increase granted in July 2016.

# USM Exempt Salary Structure Adjustment Proposal Summary: Wide & Traditional Structures

This proposal maintains competitiveness with the market based on projected movement for the upcoming years and acknowledges the anticipated effect of the FLSA changes on the salary market.

Wide Salary Structure	\$1,535,993
<u>Traditional Structure</u>	<u>\$667,467</u>
<b>Cost of implementation</b>	<b>\$2,203,460</b>

Note: These cost figures were developed prior to the FLSA revisions and prior to the merit increase granted in July 2016. Factoring in those increases, this figure would be lower by an undetermined amount.

# Recommendation

7.625% increase to all pay ranges  
effective January 1, 2017