The University of Denver

Guidelines for Sustainable Compensation Program

Benefited Staff Compensation

This work is attributed to Sibson Consulting, a Division of Segal Group for their consultative compensation study service

Introduction and Overview of Elements

The benefited staff compensation program is designed to provide salary opportunities that are market competitive and internally equitable to enable DU to attract, retain, and engage the right administrators and staff. Effective compensation programs balance structure with flexibility to be competitive within markets and for required talent.

DU's compensation program is currently guided by the Compensation Philosophy. Administrative Guidelines are designed to provide an overall Compensation Program that is:

- Market competitive
- Internally equitable
- Reflective of desired roles and responsibilities
- Aligned with DU's strategy and priorities

The administrative guidelines for DU as it continues to enhance its salary administration include:

- Compensation Philosophy
- Program roles and responsibilities
- Compensation program overview
- Market pricing methodology
- Setting starting salaries
- Compensation for part-time staff
- Managing pay within a grade
- Changes to job content
  - Change in tools or processes for current job
  - Expanded responsibilities in a current job
  - Temporary assignments / interim appointments
  - Reclassification of a job
- Transfers, promotions and demotions
  - Transfer / promotion to a job in the same grade
  - Promotion to job in a higher grade
  - Demotion to a job in a lower grade, involuntary or voluntary
- Salary increases and adjustments
  - Annual salary increases
  - Equity and market adjustments
  - Off-cycle salary increases
- Employee salary in relation to the range
- Maintaining the program

University of Denver Benefitted Staff Compensation Philosophy

The University of Denver (DU) aspires to foster a sense of community and promote diversity and inclusivity. As a key part of its benefitted staff compensation program, DU focuses on consistent and competitive salaries in order to attract and retain a high quality workforce to successfully fulfill the mission of the University. Compensation is a core element of a competitive total compensation package which includes generous benefits and a supportive work environment.

DU's compensation program emphasizes market value and also recognizes the internal equity and value of jobs. Salary ranges will target the median of general industry and identified higher education markets, based on appropriate talent segments determined by type and level of the job and individual qualifications.

DU's overall performance, strategic objectives, financial capability, economic conditions, as well as departmental budgets impact the annual budget available for potential salary increase opportunities. Because of DU's commitment to institutional performance, merit increases will be used to strengthen the link between individual performance and compensation. Managers and supervisors, human resources and DU leadership each have a defined role in and share responsibilities for ensuring an effective compensation program.

Roles and Responsibilities

DU Leadership

- Communicating openly, regularly and clearly with the University on all compensation related matters
- Setting and communicating institutional strategy, objectives, and operational goals to the University
- Setting the standard for performance planning, coaching and feedback, and holding their direct/indirect reports accountable for the same
- Providing ultimate approval for annual University and individual pay adjustments, calibration, and exceptions

Managers and Supervisors

- Understanding job responsibilities and requirements of jobs in their area of responsibility
- Developing, reviewing, and approving the content of the job description of jobs in their area of responsibility
- Setting performance expectations, providing clear and helpful feedback, and evaluating performance
- Collaborating with Human Resources to determine, develop and maintain appropriate salaries, and make recommendations for salary adjustments
- Adhering to the appropriate roles and guidelines set forth by the compensation program
- Communicating openly with their staff about compensation topics

Roles and Responsibilities continued

- **Human Resources**
  - Serving as a subject matter expert that establishes parameters around compensation guidelines
  - Providing strategic advice to leadership
  - Providing recommendations to the executive team, regarding appropriate salaries and ranges and adjustments based on job descriptions
  - Designing, developing, and maintaining the compensation program
  - Regularly monitoring the effectiveness of the compensation program and practices and its continued competitiveness
  - Communicating the pay program and ensuring understanding by staff and administrators
  - Collecting market data and assessing pay competitiveness
  - Ensuring that job descriptions are current (Managers and Supervisors also responsible) and that pay practices are fair and equitable across the University

Compensation Program Overview

DU's compensation program balances the value of the jobs in the external market place with maintaining internal equity across the University

Market Emphasis	Internal Emphasis
➢ Rigorous, consistent use of compensation surveys ➢ Representative number of benchmark jobs ➢ Market data valued by the institution ➢ Pay emphasized within context of the market	➢ Ranges are defined based on roles and responsibilities, and organizational structure ➢ Job families and progressions ➢ Competency models for jobs and job families ➢ Market data is secondary

Compensation Program Overview continued

The overall design of the staff compensation program is simple: market value based on job content and role determines the salary grade; the skills, knowledge, experience, and performance of the incumbent establish his/her pay level within the salary grade

Job Role, Responsibilities, and Skill Requirements + **Knowledge, Skills, Experience, and Performance** = **Pay Opportunity**

Salary Grade or Range + **Position in Range** = **Recommended Base Salary**

Compensation programs establish pay parameters that allow for flexibility to pay individuals at different levels based on their knowledge, expertise, and performance within defined ranges.

Market Pricing Methodology

1 Evaluate Quality and Appropriateness of Data Sources

- ✓ Legitimacy
- ✓ Relevancy
- ✓ Jobs
- ✓ Peers
- ✓ Scope
- ✓ Data Presentation

2 Match the Jobs

- Identify the most appropriate match or matches based on job responsibilities
- Benchmark Job Characteristics
  - Well known and can be found in similar form (70% – 80% match) in multiple survey sources
  - Jobs that represent the organization across job families and pay levels
  - Jobs that represent a large number of employees

3 Select Appropriate Data Cut(s)

- Select the cut that best fits institution's characteristics and talent market based on compensation philosophy:
  - Industry
  - Geography/Location

Note: Will vary by job role and level

Market Pricing Methodology *continued*

4 Add Adjustments (Premiums or Discounts)

- Premiums or discounts may be applied to jobs to adjust for differences between a job and the survey job (e.g., differences in experience/skills, job responsibilities, etc.)
- Adjustments generally range between 5% – 15% of the survey job match

Premium/ Discount	Rationale
+ or - 5%	• Noticeable difference between survey job and DU job
+ or - 10%	• Obvious difference between survey job and DU job • Difference between non-supervisory job and first-level supervisor
+ or - 15%	• Significant difference between survey job and DU job • Difference in level within function such as Supervisor versus Manager, or Manager versus Director

5 Update Data to a Common Point in Time

- Update factor is calculated by collecting pay increase trend data from a variety of sources, including CUPA, TowersWatson, WorldatWork, government sources, and survey firms

➢ Not every job at DU will have a match in the market. Jobs without market matches are “non-benchmark jobs.” Non-benchmark jobs are leveled into the salary structure based on an internal valuation process that compares the non-benchmark jobs to benchmark jobs

Setting Starting Salaries

- Setting a starting salary involves a review of a job's responsibilities, qualifications, and competencies as well as the skills and experience of the incumbent by HR
- The salary range associated with the job's grade will be used as the guideline, taking into account the level of competence and demonstrated performance

Process steps include:

- **Identify the job's grade and associated salary range:** Existing jobs will have been assigned to a grade. If this is a new job, HR will collect and review market data to determine the appropriate salary grade. If market data is unavailable, the grade will be determined through the internal job leveling process
- **Review skills and experience of the individual:** Once the salary grade has been determined, the individual pay (placement in the range) will be set collaboratively by Human Resources and the manager within this range, based on the incumbent's skills, knowledge, and experience. Less skilled incumbents would be paid lower in the grade; more skilled and experienced incumbents would be paid higher in the grade (see the next page)
- **Review internal equity.** Before any salary is finalized, HR will conduct a review of salaries of current employees in similar jobs to ensure internal equity. HR will consider skills, knowledge, experience, and performance in this review

Setting Starting Salaries continued

For example, individual salaries can be determined by comparing skills, knowledge, experience, and performance using the guidelines below:

Grade Minimum ↓

First Quartile

- Meets minimum qualifications of job; however is fairly new to job and field, has little or no direct, related prior experience
- On steep learning curve, building both skills and knowledge, as well as ability to handle job responsibilities

Second Quartile

- Performs (or has demonstrated capability to perform based on prior experience) some/most job responsibilities with increasing effectiveness
- Possesses most/all of the basic knowledge and skill requirements, but may need to build upon them through experience
- May still be learning some aspects of job or developing expertise to handle them more independently and effectively
- Consistently exhibits many or most desired competencies to perform job successfully

Grade Midpoint ↓

Third Quartile

- Performs (or has demonstrated capability to perform based on prior experience) all aspects of job effectively and independently
- Experienced in the job and possesses required knowledge and skills
- Consistently exhibits desired competencies to perform job successfully
- Seasoned and proficient professional

Grade Maximum ↓

Fourth Quartile

- Expert (or has demonstrated capability to perform as expert based on prior experience) in all job criteria
- Has broad and deep knowledge of own area as well as related areas
- Depth and breadth of experience, specialized skills, perspectives add significant value to institution
- Serves as expert resource and/or role model/mentor to others in similar jobs or to other areas at the University
- Placement in this quartile requires review and approval by the Chancellor and the appropriate Senior Staff member

Compensation for Part-Time Staff

Pay for part-time staff is managed under the same guidelines as pay for regular full-time employees, with the salary pro-rated to reflect the reduced work schedule

Exempt positions:

- The pay for an employee in an exempt job who works part-time will be determined by pro-rating the salary he/she would have received as a full-time employee working in the same job to reflect the agreed-to work schedule as shown in the illustration below. The range and position in the range for the part-time positions will be determined similar to how it is determined for full-time positions
- The salary for a part-time employee in an exempt position will meet minimum salary requirements as determined by current Fair Labor Standards Act regulations

Assumptions	
Annual Full-Time Base Salary	$80,000
Full-Time Work Week	5 days
Scheduled Days per Week	3 days
Part-Time Percentage (3 / 5)	60%

Calculation of Annual Part-Time Salary	
Annual Full-Time Salary	$80,000
Multiplied by Part-Time Percentage	X 60%
Actual Annual Pay	$48,000

- If a part-time employee in an exempt position works beyond the scheduled time, he/she is not eligible for overtime. If the work schedule on which the pro-rated salary was originally based consistently proves not to meet the needs of the department, the schedule should be assessed and the pay re-calculated accordingly

Compensation for Part-Time Staff continued

Non-Exempt positions:

- An employee in a non-exempt position who works part-time will be paid the regular hourly wage that is appropriate for the position and consistent with his/her skills, knowledge, experience, and contribution
- This rate will be multiplied by the number of hours actually worked. Staff members in non-exempt jobs will be eligible for overtime in accordance with the Fair Labor Standards Act (i.e., overtime is payable for hours worked in excess of 40 per week)

Pay for Scarce / Unusual Skills

From time to time, the University may require specific skills that are relatively scarce. Such skills may command a premium in the market. The nature of such situations and the magnitude of the premium required to be competitive cannot be easily predicted.

- To determine an appropriate salary, HR will collect the available data from such sources as WorldatWork, SHRM, CUPA and pertinent professional associations. Special skill requirements often change rapidly so traditional salary surveys typically lag in reporting significant pay data. Therefore, reported trend information from a credible and reliable source (e.g., recruiters) may be the most realistic and readily available in order to respond quickly
- Often “special skills” initially command premium pay, but over time, they become part of job expectations for many positions and the labor pool becomes more broadly skilled, diminishing the need for continuation of premium pay. For example, many of the “special IT skills” of the 1990s are now common for information technology positions
- Special skills can be reflected in a salary that is in a higher quartile of the salary grade

Managing Pay within a Grade

The grades of the new salary structure are wide enough to provide appropriate pay for employees with a variety of skills, knowledge, experience and performance levels. Salary decisions will be made using the following model:

Grade Minimum ↓

First Quartile

- Meets minimum qualifications of job; however is fairly new to job and field, has little or no direct, related prior experience
- On steep learning curve, building both skills and knowledge, as well as ability to handle job responsibilities

Second Quartile

- Performs (or has demonstrated capability to perform based on prior experience) some/most job responsibilities with increasing effectiveness
- Possesses most/all of the basic knowledge and skill requirements, but may need to build upon them through experience
- May still be learning some aspects of job or developing expertise to handle them more independently and effectively
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- Performs (or has demonstrated capability to perform based on prior experience) all aspects of job effectively and independently
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Grade Maximum ↓

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- Expert (or has demonstrated capability to perform as expert based on prior experience) in all job criteria
- Has broad and deep knowledge of own area as well as related areas
- Depth and breadth of experience, specialized skills, perspectives add significant value to institution
- Serves as expert resource and/or role model/mentor to others in similar jobs or to other areas at the University
- Placement in this quartile requires review and approval by the Chancellor and the appropriate Senior Staff member

Performance determines progression within the level.

Managing Pay within a Grade continued

Many factors will be considered when making an individual salary decision. The chart below illustrates how these criteria can be used to determine an individual's placement within the range.

CRITERIA	ASSESSMENT OF POSITION AND PERFORMANCE	
Degree of increase in responsibilities	Moderate	Significant
Performance compared to expectation	Effective	Exceptional
Current salary relative to pay range of salary grade	High	Low
Current salary relative to peers (with similar skills, knowledge, competencies, and experience)	High	Low
Criticality of role/skills to the University	Moderate	Significant
Depth and breadth of skills and knowledge	Moderate	High

Modest Increase — **Moderate Increase** — **Significant Increase**

Changes to Job Content

From time to time, there may be changes to jobs, some of which may warrant a salary action. It is therefore essential to distinguish between a change in the job content (reviewed below) and a change in employee's skills, knowledge, or performance.

There are four types of change:

- **Change in the job tools used to perform the job:** Changing how the work is done or the tools does not normally warrant a salary adjustment (See "Changes in Tools or Processes for Current Job" for specific guidelines)
- **Additional responsibilities permanently added to the job:** A salary adjustment for additional responsibilities assigned permanently should be calibrated to the magnitude of change (See "Expanded Responsibilities in a Job" for specific guidelines)
- **Taking on additional duties on a temporary basis:** Additional responsibilities that are assigned on a temporary basis should not be compensated by a permanent adjustment to salary (See "Temporary Assignments / Interim Appointments" for specific guidelines)
- **Significant addition or change of responsibilities, changing the overall purpose and nature of the job:** Some changes or additions may impact the job definition significantly enough to influence its market value or internal equity (See "Reclassification of a Job" for specific guidelines)

Changes to Job Content continued

a. Change in Tools or Processes for Current Job

- A change in how work is done or the tools used (e.g., automating manual processes, switching to different software package) does not normally warrant a salary adjustment
- While such a change may require training to learn new software or methods, it does not usually change the purpose or overall accountabilities of the job
- If the introduction of new tools and/or software materially changes the job's responsibilities, see "Reclassification of a Job" for guidelines

b. Additional Responsibilities in a Current Job

- Additional responsibilities may be added to a job without changing the core responsibilities of the job
- Even though this typically does not result in a salary grade change, DU wants to reward taking on additional responsibilities whenever it is appropriate
- HR and the manager of the respective department will collaborate to determine the appropriate increase, with the approval of the respective Vice Chancellor or Dean
- Consider the following basic compensation principals for making adjustments:
  - 3–5% for permanent additional functions, depending on the complexity of the new function, its similarity to the current function, and the magnitude of change as a result of the additional responsibilities
  - 5–8% for additional "level" of authority, such as taking on a lead role in a function

Changes to Job Content continued

c. Taking on temporary Assignments / Interim Appointments

- Occasionally, staff employees at DU may need to temporarily take on additional or different responsibilities. In some circumstances additional compensation may be warranted
  - Temporary assignment must be a significant, clearly defined addition of responsibilities to the normal workload
- Temporary assignments can vary greatly and should mostly be considered on a case by case basis; length of time should be at least 30 consecutive days
- Manager will submit written request to appropriate Vice Chancellor or Dean, presenting:
  - Reason for assignment / appointment
  - Expected duration
  - Resources required
  - Method for evaluating successful performance
  - Criteria for selecting the employee
  - Proposed compensation for the individual taking on the Temporary Assignment / Interim Appointment
- Vice Chancellor or Dean will review request with HR to determine appropriateness of request. Adjustments to compensation should consider:
  - Responsibilities of temporary role
  - Employee’s skills, knowledge, and performance
  - Employee’s pay history
  - Financial feasibility
- Compensation will be in the form of cash payments

Changes to Job Content continued

d. Significant addition or change of responsibilities (a Reclassification)

- During the course of normal operations, changes in roles and responsibilities may make it necessary to update an employee’s position description. Since the market value of job responsibilities is the basis for grade assignments, significant changes in a job’s responsibilities may warrant a review of the job and its market value
- The following are examples of situations that may warrant a job evaluation:
  - Department reorganization / job restructuring
  - Addition of full-time staff reporting to the job
  - Addition of new areas of responsibility
  - Substantial change in level of authority and accountability
- A job would not be re-graded for small changes in the responsibilities, earning a degree, etc.
- Steps include:
  - Notify the appropriate manager for review when changes are determined
  - Review changes to ensure reasonable and equitable distribution of workloads and assignment of duties
  - If changes are substantial, review to see if job belongs in a different job title and submit a PDQ to HR for review
  - Once job has been reclassified, refer to the “managing pay within a grade” guidelines

Transfers, Promotions, and Demotions

Transfer to a job in the same pay grade

- Not all career advancement opportunities are a promotion; some employees may choose to take a different job in the same salary grade
- Considerations for increases include the degree of differences in job responsibilities and whether additional training is needed. Salary adjustments (recommended by the Manager to HR) generally would range from 1-8% (see below) depending on individual circumstances, including:
  - New job roles and responsibilities
  - An employee’s knowledge, skill, experience and performance
  - An employee’s pay history
  - Internal equity

New Responsibilities	Potential Increase
• New responsibilities are closely related to current responsibilities	1 – 3%
• New responsibilities are somewhat more complex than current responsibilities, requiring some training	3 – 6%
• New responsibilities are significantly more complex or very different than current responsibilities requiring considerable training	6 – 8%

Transfers, Promotions, and Demotions continued

Promotion to a job in a higher grade

- A promotion involves an employee taking a job in a higher grade. Being promoted involves taking on greater responsibilities in a job that is assigned to a higher salary grade
- Such a move typically warrants an increase in base salary to recognize these additional responsibilities and to ensure that the incumbent's pay is consistent with market and internally for the new job
  - Only exception is when employee's current salary is very high in the grade for his/her current job
- HR and the manager will collaborate to develop an appropriate salary within the new salary grade, based on the employee's knowledge, skill, experience and performance, taking into account several factors similar to the individual salary decisions in the "managing pay within a grade" section:
  - Degree of increase in responsibilities
  - Performance compared to expectations
  - Current salary relative to pay range of new grade
  - Current salary relative to new peers (with similar skills, knowledge, competencies, and experience)
  - Criticality of role / skills to DU
  - Depth and breadth of skills and knowledge
- The salary resulting from this increase should then be compared to the quartile definitions for the new grade to ensure that the employee's contributions and capabilities for the new job are reflected by the new salary

Transfers, Promotions, and Demotions continued

Demotion to a job in a lower grade

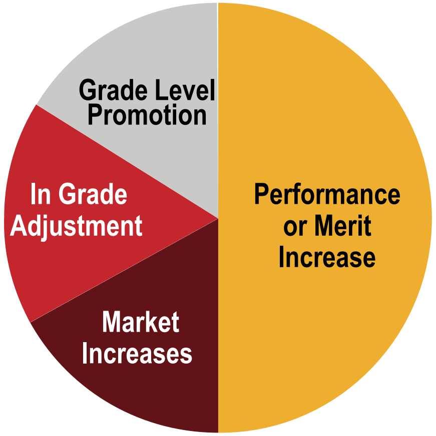
- Demotions can be voluntary or involuntary
- When an employee elects to take a job in a lower salary grade, the salary should be reduced to reflect the responsibilities, qualifications and competencies required of the new job
- When an employee involuntarily is reassigned, the salary may remain the same, however, if done due to skill or performance level, the salary will be adjusted appropriately
- Decreases should consider:
  - The difference between the grade of the current job and the new job
  - An employee’s knowledge, skill, experience and performance
  - An employee’s pay history
  - Internal equity

Salary Increases and Adjustments

Annual salary increases will be determined by considering market trends, DU financial resources, individual performance and overall DU strategy and goal achievement.

- **Base pay or salary increases take four forms:**
  - Equity adjustments reflect competitive position and market movement
  - In grade adjustments reflect significant change in competencies, skills or relevant educational growth impacting contribution
  - Promotional adjustments where individual takes on new role, responsibility for a position in a distinct higher salary range level
  - Performance merit increase associated with periodic review of performance against current job expectations and established goals

Note: Staff earning a degree does not generally warrant a salary increase unless job responsibilities change as a result of the degree attainment.



"MERIT" takes into account both performance and current position in range: that is expectations are higher for someone whose salary is already high in the range

Percentage increases must be competitive, reflect desired performance differentiation and fit the institution's budget

Salary Increases and Adjustments continued

Equity and Market Adjustments

- From time to time it may be necessary and appropriate to adjust salaries to:
  - Establish / maintain internal equity
  - Recognize significant market changes
- Equity adjustments refer to adjustments made to ensure an individual employee's salary appropriately reflects his/her skills, knowledge, experience, and performance
  - Equity adjustments may be made at the same time as the annual increase, but should be clearly communicated as such to the employee to avoid confusion
- Market adjustments refer to adjustments made to recognize changes in the competitive market salary for a job. They are therefore unlikely to occur often as the salary structure is based on market analysis and is updated regularly to ensure continued competitiveness
  - Unusual market circumstances may warrant an adjustment

Salary Increases and Adjustments continued

Off-Cycle Salary Increases

- Off-cycle salary increases are performance-based discretionary increases that can occur at any time during the year outside the normal increase cycle. Reasons for off-cycle salary increases may include
  - Additional responsibilities permanently added to the job
  - Change in competencies, skills or relevant educational growth impacting contribution
  - Reclassification or promotion
- If Manager wishes to recommend an off-cycle increase, he/she must discuss this with and seek approval from his/her Vice Chancellor or Dean and HR to determine if the increase is justified, compatible with the market, consistent with the University’s pay guidelines and does not create internal inequities

Employee Salary in Relation to the Range

It is the desire of the University to pay all employees within the range associated with their job's salary grade.

- The University has established that it will strive to pay employees at 85% of salary grade midpoint, which is well above the salary grade minimum
  - Individual exceptions may exist (e.g., incumbent with performance deficiencies)
- Increases will consider:
  - An employee's knowledge, skill, experience and performance
  - An employee's pay history

Program Maintenance

- **Annual Salary Structure Update**
  - HR is responsible for maintaining a current and competitive salary structure consistent with the DU's compensation strategy
    - It is responsible for reviewing the salary grades annually, by collecting and analyzing market data for comparable jobs with the respective comparison markets
  - The structure will be reviewed on an annual basis by considering market trends inside and outside higher education, such as CUPA-HR and other salary surveys, SHRM, WorldatWork, University financial resources, and overall University strategy and goal achievement. While it is the intent of the University to provide annual salary structure increases, DU cannot guarantee that such increases will occur every year, nor can it guarantee an amount
  - A revised salary structure will be prepared and implemented whenever appropriate, and as authorized by University leadership
- **Detailed Salary Structure Review**
  - HR will maintain the market data for all positions at DU through appropriate aging of existing market data, researching market compensation changes (for critical and/or high-demand positions) on an as needed basis and regularly reviewing staff and administrative pay relationships with periodic adjustments made as necessary to ensure internal equity
  - HR will conduct an assessment of benchmark jobs and the salary structure every 3-5 years to ensure that the overall design of the structure appropriately meets the compensation needs of the University

Program Maintenance *continued*

Updating the Salary Grade Structure

A revised salary grade structure involves the following work steps:

1. Review salary trend data for salary structure adjustments from sources such as WorldatWork, SHRM and other major salary survey publishers
   - The salary structure adjustment trend is not the same as base salary adjustments / budgets
   - Typically, salary structures are adjusted at a rate that is about ½ - ¾ of a percent lower than actual salary increase budgets
2. Determine the appropriate and affordable structure increase in consultation with University leadership. Ensure that this adjustment is lower than the salary increase budget
3. Increase the midpoints of the ranges by the appropriate amount
4. Recalculate the range spread to ensure maintenance of existing spreads
5. Review salaries to determine if any individual's salary has fallen below the minimum or below 85% of salary grade midpoint and consider salary adjustments if performance is acceptable

Appendix

DU Job Families

A job family is a group of jobs in which the work performed is of a similar nature. It is a macro grouping based on a segmentation and primary concentration of jobs at DU.

Academic Administration	**Business and Administrative Services**	**Information Technology**	**Safety and Security**
Academic Support	**Executive**	**Legal**	**Student Services**
Accounting, Finance and Budget	**Facilities** (non-union)	**Library**	**Teachers**
Advancement/ Development	**Faculty**	**Marketing**	**Union**
Athletics and Recreation	**Human Resources**	**Research**	