

Developing a Compensation Philosophy to Attract, Retain, and Motivate Quality Employees



**Presentation to Mayor
and Council**

December 8, 2014



Agenda - Goals for Meeting

- Review the tenets of a compensation philosophy
- Review key factors in development of a philosophy
- **Decide** City's position on each of the key factors



Compensation Philosophy

A well developed, consistently followed, transparent, communicated philosophy will:

- Make sense to employees, leaders, and constituents
- Result in a sense of fairness
- Be a strong recruiting tool
- Encourage retention
- Represent career and salary growth potential



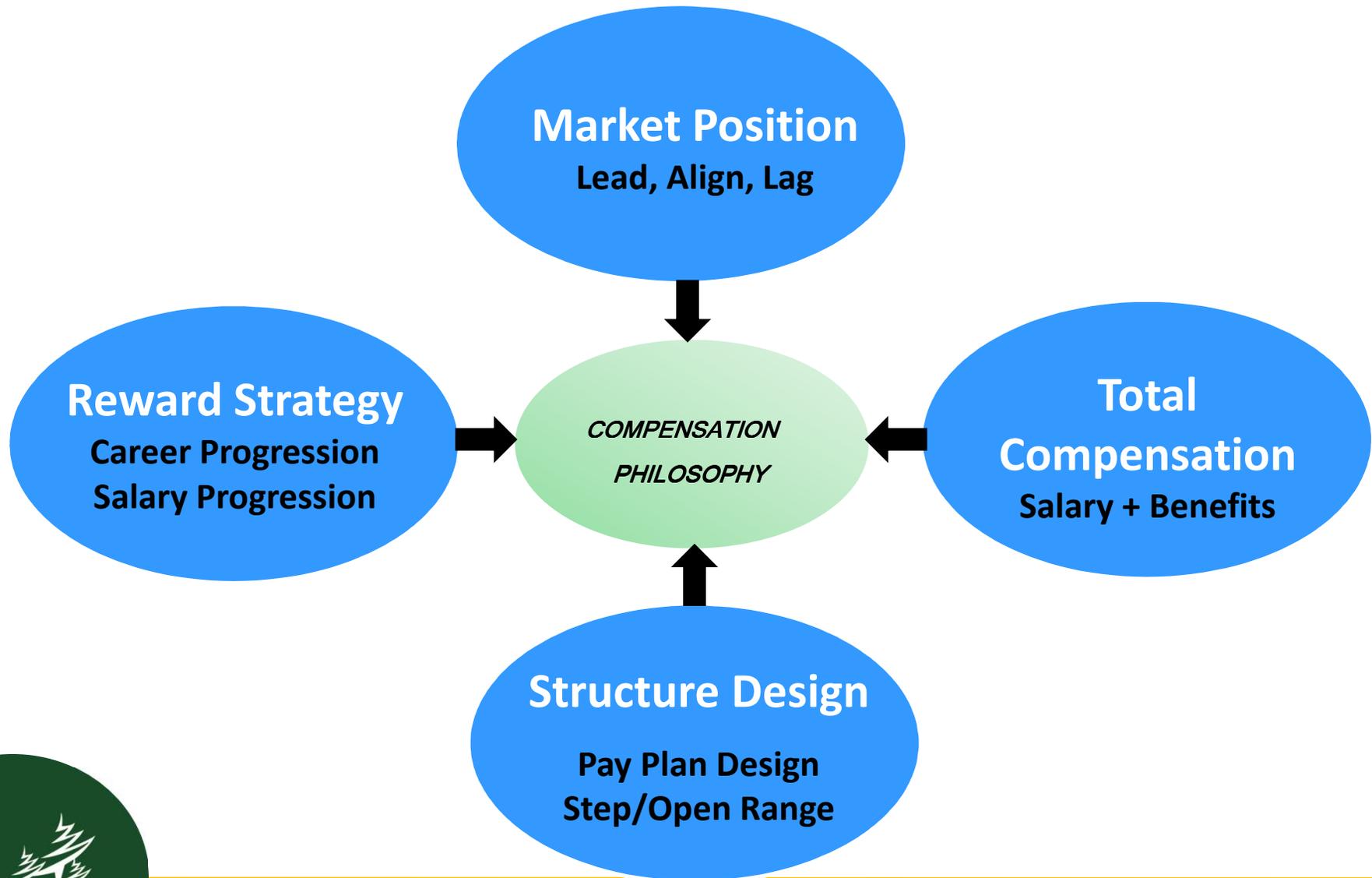
Developing the Philosophy

Several key factors should be considered when developing the philosophy:

- **Market Position** – who are the City’s peer employers and where does the City want to be in relation to those employers in the market?
- **Total Compensation** – how does the City want to balance salary and benefit cost?
- **Structure Design** – what type of pay plan does the City want to administer?
- **Reward Strategy** – what does the City want to reward/how should salaries progress over time?



Key Factors



Market Position

At what competitive position does the City want to be in the market for salaries and benefits?

Market Position
Lead, Align, Lag

Lead – Why lead? What percentile ahead of peers?
Should all positions be ahead of the market or just some positions?

Align – Why align with the market? At average of peers, 50th percentile of peers, i.e. at market?

Lag – Why lag behind the market? How far behind/lower than peers?



Total Compensation

Considering salary and benefits, what are the City's goals?

Salary
+ Benefits (discretionary)
Total Compensation



Structure Design

What type of plan(s) does the City want ?

Each method has value yet typically VALUES different things...

Step Pay Plan (Example)

Grade	Step 1	2	3	4	5	6
117	\$ 60,587.39	\$ 61,799.14	\$ 63,035.12	\$ 64,295.82	\$ 65,581.74	\$ 66,893.37
118	\$ 64,222.63	\$ 65,507.08	\$ 66,817.23	\$ 68,153.57	\$ 69,516.64	\$ 70,906.97
119	\$ 68,075.99	\$ 69,437.51	\$ 70,826.26	\$ 72,242.78	\$ 73,687.64	\$ 75,161.39
120	\$ 72,160.55	\$ 73,603.76	\$ 75,075.83	\$ 76,577.35	\$ 78,108.90	\$ 79,671.08

Open Range Pay Plan (Example)

Grade	Min	Mid	Max
400	\$ 63,000.00	\$ 80,325.00	\$ 97,650.00
401	\$ 69,300.00	\$ 88,357.50	\$ 107,415.00
402	\$ 76,230.00	\$ 97,193.25	\$ 118,156.50
403	\$ 83,853.00	\$ 106,912.58	\$ 129,972.15

Structure Design
Pay Plan Design
Step/Open Range



Reward Strategy

What does the City want to reward?

Reward Strategy
Career Progression
Salary Progression

Career Progression:

Promotion to next level based on:

- *meeting minimum qualifications*
 - *and ability to perform essential functions*
- ...both should be different from level below.*

Salary Progression:

Eligibility for increase based on:

- *time in classification*
- *time with organization*
- *performance*
- *combination of time and performance.*



Reward Strategy (Career)

What does the City want to reward?

Each method has value yet VALUES different things...

Reward Strategy
Career Progression
Salary Progression

Career Progression:

Promotion to next level based on:

- *meeting minimum qualifications*
 - *and ability to perform essential functions*
- ...both should be different from level below.*

Progression can be based on number of years in position	or on changes in responsibility, type of work, complexity of work	or combination of years of experience and skills required to do the work
Analyst IV Analyst III Analyst II Analyst I	Senior Analyst Analyst	Analyst - (A, B, C, or 1, 2, 3)



Reward Strategy (Salary)

What does the City want to reward?

Each method has value yet VALUES different things...

Reward Strategy

Career Progression

Salary Progression

Salary Progression:

Eligibility for increase based on:

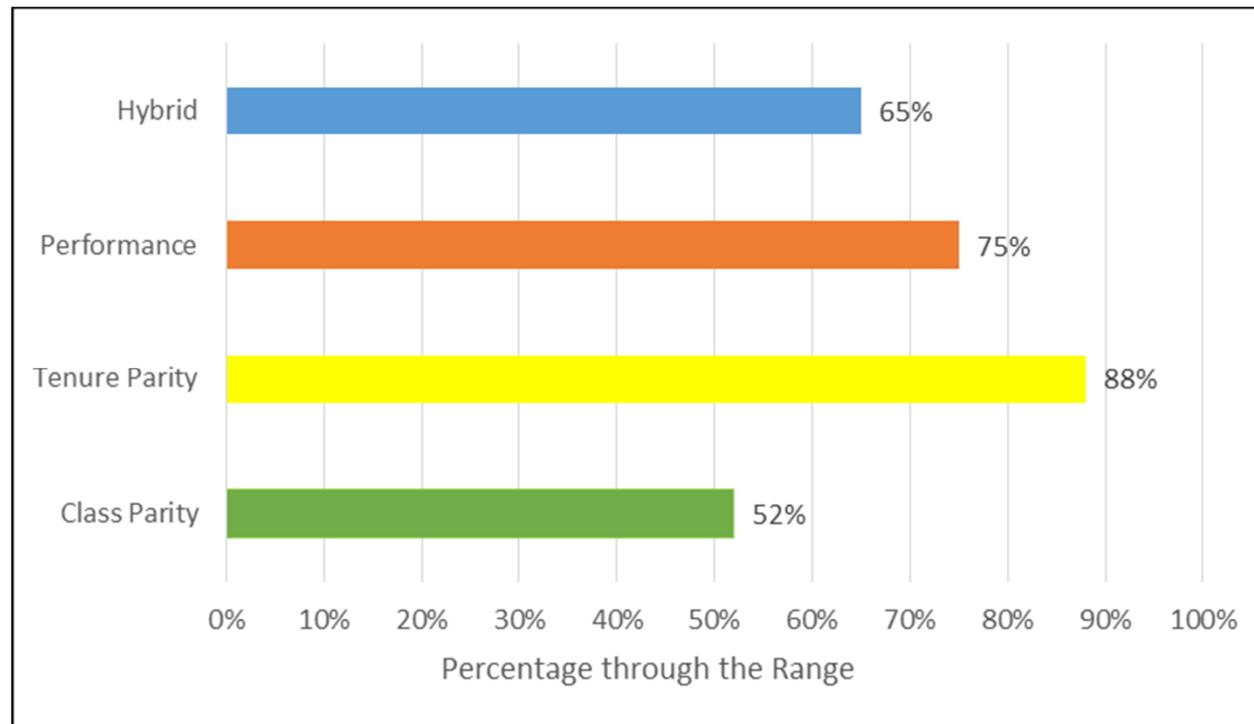
- *time in classification*
- *time with organization*
- *performance*
- *combination of time and performance.*



Reward Strategy (Salary)

What does the City want to reward?

Example: John, a **superior performer**, has been in his current classification for **13 years**, and worked for the organization for **22 years**. Below is an example of John's salary progression using four different models, or basis for reward.



Philosophy Statement

Based on decisions about the key factors, the Compensation Philosophy can be developed, communicated and followed.

The City is committed to a fair, consistent, and competitive compensation system that supports the mission and vision of the City. The City seeks to attract and retain a highly engaged, quality and diverse workforce through competitive pay practices that reward and recognize ...

...and significant achievements while preserving fiscal responsibility.

Key aspects of this philosophy are...



Next Steps

- **City Mayor and Council** – Determine the key factors in the City’s compensation philosophy:
 - Where does the city want to be in the market?
 - How to balance salary and benefit costs?
 - What type of pay plan or structure design?
 - What to reward to progress salaries over time?
- **Evergreen Solutions** – Develop (draft) compensation philosophy for the City
- **City Mayor and Council** - Review/approve draft compensation philosophy
- **City Manager** - Communicate philosophy

