Merit Pay Frequently Asked Questions (FAQs) – Revised 5/3/13

PLEASE NOTE: This document will be updated as additional information is received from the Department of Personnel and Administration (DPA) about how Merit Pay will be administered. Please check back regularly for updates.

NEW! Please see Pages 4-6 for Technical Guidance from DPA on Application of Salary Adjustments Statewide.

NEW! Q: Will Merit Pay be prorated based on how long an employee has been with the state during the performance cycle?

A: Yes. Merit pay will be pro-rated based on the number of months an employee was with the state during the performance cycle (April 1 to March 31). For example, if someone has been employed with us for 6 months (half of the year), the employee's merit pay would be half of what is shown in the matrix (below).

NEW! Q: DPA is implementing new pay structures July 1. What will be the order of salary adjustments with the new pay structure, cost of living increase, and merit pay?

A: DPA technical guidance on this issue is provided on pages 4-6 of this document. The order will be:

- 1) Implement new IT pay structure
- 2) Implement remaining pay structures, but do not adjust salary yet.
- 3) Implement 2% cost of living increase
- 4) Implement merit pay to salary based on PMAP rating and salary as of June 1
- 5) If salary is still below new minimum, bring salary to minimum of the new range.

NEW! Q: Let's say an employee recently got a promotion and salary increase. Will merit pay be based on the old salary, or the new salary?

A: Merit pay will be based on an employee's salary as of June 1.

Q: What is Merit Pay?

A: Merit pay was established with the passage of House Bill 12-1321 in September of 2012 as part of the Governor's Talent Agenda. Merit pay provides for salary adjustments based on an employee's PMAP rating and the employee's location in their salary band. Merit pay replaces the current Pay for Performance system that was established more than a decade ago.

Q: What are the levels of pay increase involved in Merit Pay?

A: The Department of Personnel and Administration (DPA) has created the following Merit Pay matrix that will be used for employees statewide. In general, employees who are at the lower end of their classification's salary range will receive a slightly

larger merit pay compared to employees who are at the top of their salary range. In addition, employees who receive a PMAP rating of 3 will receive a slightly larger merit pay compared to employees who receive a PMAP rating of 2.

	Salary Range					
PMAP Ratings	1 st Quartile of Salary Range	2 nd Quartile of Salary Range	3 rd Quartile of Salary Range	4 th Quartile of Salary Range		
PMAP 3	2.4%	2.1%	2.1%	2.1%		
PMAP 2	1.8%	1.6%	1.1%	0.6%		
PMAP 1	0%	0%	0%	0%		

Q: How can a supervisor determine which salary quartile an employee is in?

A: The Department of Personnel and Administration (DPA) creates a compensation plan that lists salary ranges for all job classifications. It is located on the following website: http://www.colorado.gov/dpa/dhr. Click on "Supervisors," and then "Compensation Plan" under the Quick Resources section. Clicking on "class title" will pull up a PDF file with the 2013 Compensation Plan sorted by classification. The current compensation plan shows the salary ranges as Min/Mid/Max, so a little calculation will be needed to on your part to divide salary ranges into fourths/quartiles.

Q: Is merit pay a salary increase or a one-time bonus?

A: For employees who are in the 4th quartile of their classification's salary band, merit pay will be paid as a one-time bonus. For employees in the 1st, 2nd and 3rd quartiles of their classification's salary band, merit pay will be base-building, meaning their salary will increase permanently by the percentage of merit pay they are awarded. Note that employees receiving a PMAP rating of 1 are not eligible for merit pay.

Q: What are the definitions of the three PMAP levels?

A: DPA has established a 3-point scale used for evaluating performance:

PMAP 1: Needs Improvement; Does Not Meet Expectations

PMAP 2: Proficient; Successful; Meets Expectations; Occasionally Exceeds Expectations

PMAP 3: Outstanding; Exceptional; Consistently Exceeds Expectations

It is important to note that the PMAP 2 level is a high performance standard. Employees receiving this level are consistently meeting performance expectations, doing everything asked of them, and sometimes more, to help meet our department's mission, and they are highly valued in our department.

Q: Why do employees who receive a PMAP rating of 1 not qualify for merit pay? A: One of the purposes of merit pay is to reward performance. Employees receiving a PMAP rating of 1 are currently not meeting performance expectations, and therefore do not qualify for merit pay.

Q: Is Merit Pay different than a cost-of-living adjustment?

A: Yes, merit pay is in addition to any cost-of-living adjustment. For 2013, the Governor has proposed that all state employees receive a 2% cost-of-living adjustment. Merit pay will be in addition to that increase.

Q: How is Merit Pay funded?

A: Merit pay is allocated through the annual appropriations bill ("Long Bill"). The allocated amount is based on CDHS's population, salaries, and PMAP ratings from the last year's PMAP close-out.

Q: Is Merit Pay funded for this year?

A: Yes, with the recent passage of the Long Bill, merit pay will be paid in July of 2013 to employees who qualify.

Q: Will Merit Pay be funded every year?

A: The decision to fund merit pay will be made on a year-to-year basis.

Q: If an employee separates from the state before July, will he/she receive merit pay?

A: No. An employee must be still be employed within the state system in July to receive merit pay.

Q: If an employee is hired after the performance cycle ends (March 31), will he/she receive merit pay?

A: No. An employee must have been employed during the 2012-2013 performance cycle to receive merit pay in July.

Application of Salary Adjustments for FY 2013-14

Sequence of System Actions - July 1, 2013

The following information explains the process by which system wide salary adjustments for FY 2013-14 will be applied pursuant to Chapter 3 of State Personnel Board Rules and Director's Administrative Procedures (rules) 3-8, Compensation Rates and 3-19, Merit Pay. The adjustments will be applied automatically through the central payroll system (CPPS) to applicable classified personnel. Additional information will be clarified for classified and non-classified outside this parameter through a separate communication (e.g., classified personnel in institutions of higher education and non-classified in Judicial and elected official offices).

June 1: Snapshot in time

Determine merit pay percentage (%) employees are eligible to receive (no changes to salaries till July 1)

Refer to the <u>FY 2012-13 Compensation Plan</u> on the DPA/DHR website to find the current range quartiles.

- Merit budget 1.6% for classified in aggregate
- Use salaries and salary position in the pay range effective June 1
- Use performance rating for cycle ending March 31
- Determine merit % eligibility from merit matrix (below) based on employee performance rating and salary distribution in the range
 - Merit increases for salaries in Q1, Q2, and Q3 will be base building;
 - Merit increases for salaries in Q4 and greater than Q4 (maximum) will be non-base building, paid as one-time lump sum (see table below)
- Merit pay will be pro-rated based on number of months employed within the performance plan year
- A one-time 2.0% adjustment will be granted to employees rated as level 3, (Exceptional) with salaries above the 4th Quartile (maximum) as reflected in the table below

Range Minimum	Range Midpoint	Range Maximum
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Merit Matrix

	Quartile 1	Quartile 2	Quartile 3	Quartile 4	Above Maximum
Performance Rating	0-24.99%	25-49.99%	50-74.99%	75-100%	100.01% or greater
3 -Exceptional	2.4%	2.1%	2.1%	2.1%	2.0%
2 –Successful	1.8%	1.6%	1.1%	0.6%	0%
1 –Needs Improvement	0%	0%	0%	0%	0%
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July 1: Order of System Adjustments

<u>Step 1 – Implement system maintenance study – new IT pay structure</u>

- Classified positions in the Application Programmer (H2A) and IT Technician and IT Professional Classes (H2I)
- New pay grades, ranges, class codes and class titles
- Bring all salaries up to new pay grade minimums, as appropriate ONLY for IT staff affected by this change
- Salaries above the new range maximums are placed into saved-pay status (rule 3-7)

System Maintenance Study

CURRENT	NEW				
Classes	Min	Max	Broad Class	<u>Min</u>	Max
Application Programmer Intern, IT Technician I & II	\$3,221	\$5,379	IT Technician	\$3,269	\$5,231
Applications Programmer I – III, IT Professional I - III	\$4,110	\$7,203	IT Professional	\$4,200	\$8,400
IT Professional IV & V	\$5,784	\$9,863	IT Supervisor	\$6,385	\$10,215
Applications Programming Manager, IT Professional VI & VII	\$7,181	\$10,230	IT Manager	\$7,715	\$12,345

Step 2 – Implement new pay structures for all other classes

- Includes new pay grade codes change from 3 characters to 4 characters
- No changes to class codes or class titles
- No changes to salaries at this time
- Salaries above the new range maximums are placed into saved-pay status (rule 3-7)

Step 3 - Apply 2% across-the-board, cost-of-living increases (also known as "salary survey")

- Use salaries effective July 1
- Base-building to range maximum (balance in excess of range maximum paid as a one-time, lump sum payment
- Non-base (one-time, lump-sum) payment for employees at or above range maximum

Step 4 – Apply merit increases as determined on June 1

- Base-building for employees in first three quartiles (Q1, Q2, and Q3)
- Non-base, lump-sum merit payment for employees in and above the fourth quartile (Q4)
- Prorated for employees hired within the performance cycle
 - o Use hire date with the State
 - o Credit for entire month in which employee was hired

<u>Step 5 – Bring all remaining salaries up to the new pay range minimums, as appropriate</u>