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| DEPARTMENT OF HUMAN SERVICES Office of Performance Improvement | POLICY NUMBER: VI 2.18 PAGE: 1 of 9 SUPERSEDES: VI 2.8 Save Pay Policy (2/96); Discretionary Pay Differential Program (7/98); Pay Agreements dated 3/04 - 4/07. |
| CHAPTER: Employment Affairs Division | EFFECTIVE DATE: 7/27/07 DISTRIBUTION DATE: 7/31/07 SCHEDULED REVIEW DATE: 7/1/08 REVISED DATE: N/A |
| SUBJECT: CDHS Compensation | RELATED MANDATES, STATUTES, STANDARDS, OR EXECUTIVE ORDERS: Personnel Board Rules: 3-6 through 3-18; 3-44 through 3-46 and 3-50. |
| APPROVED BY: <u>Kenn L. Beye</u> EXECUTIVE DIRECTOR | |
| 7-27-07 DATE | |

Clarification: At this time this policy does not address incentives and awards. This policy does not address issues of dual employment. For dual employment, refer to CDHS Policy VI 2.3.

I. Background/Purpose

As part of the department's commitment to making Colorado Department of Human Services (CDHS) a great place to work, this policy is written to provide consistency throughout CDHS and its various divisions when making decisions related to determining appropriate compensation options for employees. To further enhance our vision of an employee friendly work environment this policy sets standard guidelines and encourages the use of innovative management tools as provided in the State Personnel Board Rules and Director's Administrative Procedures issued by the Department of Personnel and Administration and CDHS procedures related to compensation. Consistent application will encourage managers to develop core values of trust, respect, and support between employees, supervisors, and managers.

In the large and diverse setting of CDHS, compensation pay guidelines and expectations need to be clarified to ensure that both management and employees are provided a general understanding of the parameters under which CDHS will administer the Department's compensation program, according to Chapter 3 of the State Personnel Rules, 4 CCR 81. Decisions made by Appointing Authorities to use any of the following measures are done on a case-by-case basis and must adhere to Chapter 3 of the State Personnel Rules. These rules are available on the Department of Personnel website at <http://www.colorado.gov/dpa/spb/boardrules.htm>.

II. Definitions

HR 2: CDHS Personnel action form that must be completed to document most personnel changes. The form is available on the CDHS Intranet, <http://intranet.cdhs.state.co.us/>, under Forms, OPI Human Resources Forms, HR 2 Form (revised 6/05). The form includes instructions and clarifies which personnel actions require an HR 2 and if applicable, additional documentation that must accompany the HR 2.

PDQ: Position Description Questionnaire that documents current, permanent, primary job duties and the frequency or percent of time performing identified job duties. The PDQ measures work content against four job-related factors - decision-making, complexity, purpose of contact and line staff authority - to determine the level of individual job assignments, and the position's placement in the state classification system.

III. Policy

When making compensation decisions, an appointing authority must consider budgetary factors, sound business decisions, recruitment and retention issues, labor market supply, nature of the assignment, and

required competencies, qualification and salary requirements of the best candidate, salaries of other similarly situated employees, the employee's skill set and competencies, other potential future increases and the long-term impact of hiring above the minimum of the pay grade. Any request for a change in salary must be requested by completing an HR 2 that includes all appropriate signatures before Human Resources may proceed with processing. Appointing authorities are advised to consult with Human Resources for guidance on salary structures prior to making any salary offer.

The Office Director may approve an increase up to 25% above the minimum of the pay range. The Executive Director's approval is required on the HR 2 for new employees with hiring salaries greater than 25% above the minimum of the range. All salaries are subject to the pay range maximum except where otherwise stated in this policy and in State Personnel Rules, Chapter 3.

IV. Procedures

The following procedures establish base pay for new hires (both permanent and temporary employees) and for the lateral, upward, or downward movement of existing permanent employees.

- Pay ranges are established through the statewide compensation survey, which makes adjustments to the minimum and maximum allowable salaries for each grade.
- An employee's base pay shall not be lower than the minimum, or higher than the maximum of the particular grade, except as otherwise permitted by law, rule, or procedure.
- A completed HR 2 must accompany a request for any of the following actions.

A. Hires

- New state employees should be hired as close to the minimum of the pay range as possible.
- The appointing authority must complete an HR 2.

Hiring Above Range Minimum – If recruiting difficulties or other circumstances require an appointment above the minimum of the pay range, the following applies:

- The Office Director may approve an increase up to 25% above the minimum of the pay range.
- The Executive Director's approval is required on the HR 2 for new employees with hiring salaries greater than 25% above the minimum of the pay range. A justification must accompany the HR 2.
- Upon request and with an accompanying justification, the Executive Director may grant the Office Director on-going approval to hire employees at salaries that are greater than 25% above the minimum of the pay range and subject to pay grade maximum. A copy of all signed waivers shall be forwarded to Human Resources. On-going requests must be resubmitted each fiscal year for the Executive Director's approval.

- B. Transfer** is an appointment of a qualified employee to a different position in the same class or with the same grade maximum. If the transfer is cost neutral, only a completed HR 2 is required.

When offering a salary increase to a transferring employee, the following applies:

- The Office Director may approve an increase up to 25% above the current salary.
- The Executive Director's approval is required on the HR 2 for any increase that is greater than 25% above the current salary. A justification must accompany the HR 2.
- The transfer must be to a different work unit, or involve different duties or a different position number AND the new position must have significant changes in the employee's job responsibilities.

- A PDQ verifying that the lateral movement meets the above criteria must be reviewed and approved by the Human Resources Director or his/her designee(s).
- When a hiring manager hires a transfer from either another state agency or from within CDHS, the employee's base pay shall not be less than their current base pay and shall not exceed the maximum of the pay range.
- The appointing authority must complete an HR 2.

C. **Reinstatement** is a discretionary appointment of a former or current employee to a class in which the person was certified and either resigned or voluntarily demoted in good standing. The person may be reinstated to a related class with the same or lower grade maximum than the previously certified class. Hiring managers considering a reinstatement shall consult with Human Resources to verify a candidate's eligibility for reinstatement.

When hiring an employee using the reinstatement process, the following applies:

- The Office Director may approve a salary up to 25% above the employee's current or previous salary.
 - The Executive Director's approval is required on the HR 2 for any increase that is greater than 25% above the current salary or previous salary. A justification must accompany an HR 2.
1. When a hiring manager hires a former employee as a reinstatement, the base pay may be set at any rate within the minimum and maximum for the class.
 2. When hiring a current employee as a reinstatement, the base pay shall not be less than their current base pay.
 3. The appointing authority must complete an HR 2.

D. **Promotion and Reallocation** are upward movements to different classes with a higher range maximum.

When offering a salary increase to an employee being promoted, the following applies:

- The Office Director may approve an increase up to 25% above the current salary.
 - The Executive Director approval's is required on the HR 2 for any increase that is greater than 25% above the current salary. A justification must accompany the HR 2.
1. An employee's base pay may increase or remain the same, in which case the employee would receive the economic opportunity by moving to the new grade.
 2. Base pay must be set at least at the minimum of the new pay range and shall not be beyond the grade maximum of the new grade.
 3. The appointing authority must complete an HR 2.

E. **Demotion (Downward movement)** is a reclassification of a position to a different class with a lower pay range as a result of a PDQ review or a system-wide maintenance study. The base pay of the employee shall remain the same, including saved pay.

- Saved pay provisions exist for a three-year time period.
- In no case will the employee's base pay remain above the grade maximum after three years from the action, even if it results in a loss in pay.

1. **Non-Disciplinary Demotion** is when an employee voluntarily changes to a class with a lower grade maximum. Where applicable, employees may initiate a non-disciplinary demotion.

Employees pursuing such an arrangement shall work with their respective appointing authority to determine if availability exists.

- As this is a voluntary demotion for the employee, the appointing authority shall set base pay anywhere in the range of the new class that does not fall below the minimum of the new pay range and does not exceed current base pay or the maximum of the new pay range.
- The employee's salary does not have to stay at the current rate, but may not be higher than the employee's current rate (meaning the voluntary demotion may not result in a salary increase).
- The appointing authority is advised to take into consideration the salaries of other similarly situated employees and reduce the demoting employee's salary to an amount commensurate with the job responsibilities of the new position.
- The Voluntary Demotion Form must be completed and attached to the HR 2. The agreement is available on the CDHS Intranet: Forms, OPI Human Resources - Forms. If applicable, an updated PDQ indicating the new classification must be attached to the HR 2.

2. **Disciplinary Demotion** is when an employee is demoted to a class with a lower pay grade maximum for disciplinary reasons.

- As this is a disciplinary demotion, the appointing authority shall set base pay anywhere in the range of the new class that does not fall below the minimum of the new pay range and does not exceed current base pay or the maximum of the new pay range.
- The appointing authority has the authority to reduce the employee's new salary considering the job responsibilities of the new position or other similarly situated employees.
- Appointing authorities are advised to consult with Human Resources when considering taking any disciplinary action.
- A disciplinary action letter is required and must be attached to the HR 2. If applicable, an updated PDQ indicating the new classification must be forwarded to Human Resources as soon as possible.

3. **Disciplinary Reduction in Base Pay**, although technically not a downward movement, does result in a change in base pay.

- The appointing authority may permanently or temporarily adjust base pay to a lower rate in the pay grade.
- The appointing authority may temporarily adjust the base pay below the grade minimum for a specified period not to exceed 12 months.
- Appointing authorities are advised to consult with Human Resources when considering taking any disciplinary action.
- A disciplinary action letter is required and must be attached to the HR 2.

F. **In-Range Salary Movement – Base Building** is a type of discretionary movement to increase base salaries of permanent employees who remain in their current class and position when there is a critical need not addressed by any other pay mechanism.

- Criteria for Salary Range Compression and Counteroffer (matching pay) are available on the CDHS Intranet: Forms, OPI Human Resources – Forms.
- Appointing authorities shall consult with Human Resources regarding the appropriate compression pay criteria that must be met.
- The Human Resources Director or his/her designee(s) must first review the justification for salary range compression and matching pay to assure it meets the established criteria **PRIOR** to forwarding the HR 2 for approval.

- When granting an in-range salary movement, the employee and manager must complete and sign an individual written agreement outlining the terms and conditions of the movement.
- A HR 2 requesting the in-range salary movement, supporting justification (if applicable), and the appropriate individual written agreement requires the approval and signature of the Office Director.
- The Executive Director must sign the HR 2.

Other Considerations:

- The use of an in-range salary movement is not guaranteed and shall be funded within existing budgets.
- These movements shall not be retroactive and frequency is limited to one in-range salary movement in a 12-month period. This only applies to the four types of in-range salary adjustments listed below.
- No aspect of any discretionary pay differential is subject to grievance or appeal, except for discrimination; however, an alleged violation of the department's plan can be disputed. A department's decision in the dispute is final and no further recourse is available.
- The effective date will be the date when the submitted documentation supports the increase or when the appointing authority signs the HR 2, whichever is the earlier date.

The four types of in-range salary adjustments are as follows:

1. **Salary Range Compression** is a salary leveling increase where longer-term or more experienced employees are paid lower in the range than new hires or less experienced employees over a period of time resulting in documented ongoing retention difficulties. Thus, there is a valid need to increase one or more employee's base salary in recognition of contributions equal to or greater than the newly hired or less experienced employees. To be eligible, an employee must be performing satisfactorily as evidenced by the most recent final overall performance rating.

The increase may be up to 25% or more above the current salary and is subject to the pay grade maximum. Justification that the request meets the above criteria is required. Individual Agreement for Compression Pay must be completed and attached to the HR 2. The *agreement* and *criteria* are available on the CDHS Intranet: Forms, OPI Human Resources - Forms.

2. **Counteroffer (matching pay)** is used when an employee with *critical, strategic* skills receives a higher salary offer from another department or outside employer and the hiring authority needs to increase the employee's base salary for retention purposes. To be eligible, an employee must be performing satisfactorily as evidenced by the most recent final overall performance rating. Written confirmation of the other entity's bona fide salary offer is required.

The increase may be up to 25% or more above the current salary and is subject to the pay grade maximum. Justification that the request meets the above criteria is required. Individual Agreement for Counter Offer (Matching Pay) must be completed and attached to the HR 2. The *agreement* and *criteria* are available on the CDHS Intranet: Forms, OPI Human Resources - Forms.

3. **Delayed Promotional Increase** is used when a promotion is made with no salary increase or partial salary increase because production expectations are unproven and/or funds may be unavailable at the time of promotion. This is a one-time base salary increase within 12 months of the date of promotion when funds become available and the employee's contributions are fulfilled. The intent to provide a later salary increase must be documented in writing at the time of the promotion. To be eligible, an employee must be performing satisfactorily as evidenced by the most recent final overall performance rating.

The increase will be awarded dependent on available funds and upon satisfactory completion of training and/or performance objectives as documented and attached to the Delayed Promotional Increase agreement. The increase may be up to 25% or more above the current salary and is subject to the pay grade maximum. Transfer, promotion, demotion, or separation of the employee prior to the effective date of the increase will negate the delayed increase. Individual Agreement for Delayed Promotional Increase must be completed and attached to the HR 2. The *agreement* is available on the CDHS Intranet: Forms, OPI Human Resources – Forms.

4. **Delayed New Hire Increase** is used at the time an employee is hired when production expectations for critical skills are unproven and/or funds may be unavailable. This is a one-time base salary increase within 12 months of hire. The intent to provide a later salary increase must be documented in writing at the time of hire. To be eligible, early satisfactory completion of specified training objectives must be documented.

The increase will be awarded dependent on available funds and upon satisfactory completion of training and/or performance objectives as documented and attached to the Delayed New Hire agreement. The increase may be up to 25% or more above the current salary and is subject to the pay grade maximum. Transfer, promotion, demotion, or separation of the employee will negate the delayed increase. Individual Agreement for Delayed New Hire Increase must be completed and attached to the HR 2. The *agreement* is available on the CDHS Intranet: Forms, OPI Human Resources – Forms.

- G. **Discretionary Pay Differentials – Non-Base Building** differ from in-range salary movements in that they are used to effect temporary changes in pay for permanent employees who remain in their current class and position when there is a critical need not addressed by any other pay mechanism.

- The Human Resources Director or his/her designee(s) must first review the justification for a discretionary pay differential to assure it meets the established criteria **PRIOR** to forwarding the HR 2 for approval.
- When granting a discretionary pay differential, the employee and manager must complete and sign an individual written agreement stipulating the terms and conditions of the differential pay.
- A HR 2 requesting the discretionary differential pay, supporting justification, and the appropriate individual written agreement requires the approval and signature of the Office Director.
- Project Assignment and Unique, Specialized Skills, or Knowledge temporary pay differentials must be justified and may be renewed on an annual basis. For a definition of Project Assignment or Unique, Specialized Skills, or Knowledge temporary pay differentials, see Page 8, (4) a - b.
- If a Project Assignment and Unique, Specialized Skills, or Knowledge temporary pay differential is renewed, the Human Resources Director or his/her designee(s) must first review the justification for renewal **PRIOR** to forwarding the HR 2 for approval.
- The employee and manager must sign a new individual written agreement stipulating the terms and conditions of the differential pay.
- A HR 2 requesting the discretionary differential pay, supporting justification, and the appropriate individual written agreement requires the approval and signature of the Office Director.
- The Executive Director must sign the HR 2 for all discretionary pay differentials.

Other Considerations:

- Use of non-base building discretionary pay differentials on a temporary basis shall be funded within existing budgets.
- No differential is guaranteed and, if granted, may be discontinued at any time.
- No aspect of any discretionary pay differential is subject to grievance or appeal, except for discrimination; however, an alleged violation of the department's plan can be disputed. A department's decision in the dispute is final and no further recourse is available.

- Sum of the temporary award and current base pay shall not exceed the statutory lid in any given month and is paid through regular payroll.
- Differential shall not be used as a substitute for the promotional or reallocation process.

Temporary (non-base building) changes to pay may be afforded in the following circumstances:

1. **Counteroffer (matching pay)** to a verifiable job offer may be used when an employee with *critical strategic* skills receives a higher salary offer from another department or outside employer and the appointing authority needs to retain the employee.
 - To be eligible, an employee must be performing satisfactorily as evidenced by the most recent final overall performance rating.
 - Written confirmation of the other entity's bona fide salary offer is required.
 - Individual Agreement for Counter Offer (matching pay) must be completed and attached to the HR 2. The *agreement* and *criteria* are available on the CDHS Intranet: Forms, OPI Human Resources – Forms.
2. **Signing bonus** is a non-base building lump sum that may be used to attract new permanent employees into the state personnel system. The hiring authority must describe in writing how the criteria (below) have been met.
 - It may be paid in one or several payments; however, the sum of the bonus and current base pay cannot exceed the statutory lid in any given month.
 - Signing bonuses may be used for the following reasons:
 - a. to fill positions in critical occupations where there is a documented shortage in the labor market and recruitment or retention difficulty in the department that jeopardizes its mission; or,
 - b. when the applicant possesses a unique, critical skill in relation to the job market.
 - An Office Director has the authority to approve amounts up to \$5,000. An Office Director may only exceed this level by presenting a case of justification to the Executive Director for approval.
 - Terms of the agreement include remaining with the Department for 12 months, in the same job class and position number as stated on the agreement, unless the employee is promoted to another position.
 - If the employee does not stay with the Department for 12 months, the employee may be required to *refund the award in full*.
 - If the employee does not meet the terms of the agreement, the Department may withhold any amounts due and owing from the employee's final paycheck.
 - Individual Agreement for Signing Bonus must be completed and attached to the HR 2. The *agreement* is available on the CDHS Intranet: Forms, OPI Human Resources – Forms.
3. **Referral award** is a lump sum that may be granted to a CDHS employee for the referral and subsequent hire of a new employee where the position requires a unique, specialized skill and there is a documented shortage in the labor market and recruitment or retention difficulty in the department.
 - The amount of the award may be up to \$300 and must be approved by an Office Director or his/her designee(s).
 - The award may be paid within one month of the new employee's start date or on a later date at the discretion of the appointing authority.
 - The referring employee understands that the award is forfeited if the newly hired employee fails to report to work.

- The employee who made the referral and the newly hired employee must certify in writing that the referral was made.
 - A copy of the new employee's job offer and acceptance must be attached to the required Individual Agreement.
 - Employees who influence or are responsible for the hiring process or those who recruit as part of their regular assignment are not eligible for this award.
 - Individual Agreement for Referral Award must be completed and attached to the HR 2. The *agreement* is available on the CDHS Intranet: Forms, OPI Human Resources – Forms.
4. **Temporary pay differential** is an award that may be granted to a current permanent employee remaining in his/her current position. This differential shall not be used as a substitute for the promotional or reallocation process. Individual Agreement for Temporary Pay Differential must be completed and attached to the HR 2. The *agreement* is available on the CDHS Intranet: Forms, OPI Human Resources – Forms.

Temporary pay differentials are used for the following reasons:

- a. Acting Assignment: where the employee assumes the full set of duties of a higher-level position that is vacant or the incumbent is on extended leave for a period longer than 30 days but less than six months. The differential shall not exceed six months in a 12-month period for any given acting assignment.
- b. Project Assignment: a long-term project assignment that is not expected or a customary part of the regular assignment and is critical to the mission and operations of the department as defined by the purpose of the project, its time frame, and the critical nature and expected results.
- c. Unique, Specialized Skills or Knowledge: to retain a unique, specialized set of skills or knowledge that is critical to the mission and productivity of the department. The loss would result in documented severe effect on the department's mission and productivity.

H. Other Premium Pay

1. **Shift Differential** is additional pay beyond base pay for employees working shifts.
 - Eligible classes are published in the annual compensation plan. Department heads may designate eligibility for individual positions in classes not published and shall maintain records for such cases.
 - First shift rate applies when half or more of the scheduled work hours fall between 6:00 a.m. and 4:00 p.m. Second shift rate applies when half or more of the scheduled work hours fall between 4:00 p.m. and 11:00 p.m. Third shift rate applies when half or more of the scheduled work hours fall between 11:00 p.m. and 6:00 a.m.
 - If hours are evenly split between shifts, the higher shift differential rate applies to all hours worked during the shift.
 - In Section X of the employee's PDQ, mark the "shift work required" status.
2. **Call Back** is additional pay beyond base pay for a *minimum of two hours* when a non-exempt (eligible for overtime) employee is required to report to work before or after a scheduled shift (not a continuation of the shift).
 - Any call back time is counted as work time.
 - Employees exempt from overtime are also eligible when the position is recommended by their Office Director and approved by the Executive Director.

- In Section X of the employee's PDQ, mark the "other" status, write in "call back" and explain expectations.
3. **On Call** is additional pay beyond base pay for employees specifically assigned, in advance, to be accessible outside of normal work hours and where freedom of movement and use of personal time is significantly restricted.
- Eligible classes and the rate are published in the annual compensation plan.
 - Eligibility for individual positions in classes not published must be determined in advance in writing by the Office Director and approved by the Executive Director.
 - Only time while actually on call shall be paid at the special rate.
 - In call back situations, employees eligible for both on call and call back pay shall receive call back pay only.
 - In Section X of the employee's PDQ, mark "on call" status and explain expectations.