

Colorado Department of Revenue



Performance Pay System Implementation Plan

**COLORADO DEPARTMENT OF REVENUE
PERFORMANCE PAY SYSTEM
IMPLEMENTATION PLAN**

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COLORADO DEPARTMENT OF REVENUE

PERFORMANCE PAY SYSTEM IMPLEMENTATION PLAN

I. Introduction

This document is the Department of Revenue's (DOR) Plan for implementing the State Personnel Director's Performance Pay System. The Plan complies with rules and procedures issued by the State Personnel Director regarding performance based pay in the State Personnel System. Policy decisions regarding implementation of the Performance Pay System within the DOR are made by the Executive Council. The Executive Council is responsible for providing the leadership and support necessary for successful implementation of this program.

The contents of the DOR Plan will be disseminated to all Department of Revenue employees through the department newspaper *Revenews*, mandatory supervisor training, informational meetings, new employee orientation, the Human Resource home page on the DOR Intranet and other means.

The DOR Executive Council will continuously monitor the operation of Revenue's Performance Pay System (PPS) Plan. The Executive Council will review the distribution of performance ratings to insure quality and consistency of ratings throughout the department.

The philosophy underlying the Revenue Department Plan is that employee performance salary adjustments should be based on the performance of the employee as measured in an annual performance evaluation. We are committed to utilizing the new evaluation and performance salary adjustment process to provide appropriate incentives, feedback and compensation to all DOR employees. This, in turn, will have a positive impact on the service that we provide to all of our many customers and clients. The plan will be revised periodically in order to ensure that employees within the department are being evaluated and compensated in the best manner possible.

Plan details are listed below and follow closely the outline issued by the State Personnel Director.

Performance Evaluation Important Dates	
Date	Activity
By May 1	Performance plans developed
November/ December	Mid-year reviews conducted
April 1- 15	Pre-evaluation meetings with supervisors and employees. Supervisors (Raters) complete recommended evaluations
By May 1	Recommended evaluations sent to appropriate reviewers
By May 5	Evaluations reviewed and returned to raters
By June 1	Raters and employees discuss and sign final evaluation
By July 1	Amount of performance salary adjustment determined, employees apprised of salary adjustment
July 31	Performance salary adjustments made on July pay check

II. Performance Management

Performance Management refers to the process of insuring that performance plans for every employee support the goals of the work unit, division and the Department of Revenue. This is accomplished by linking individual plans and evaluations to the stated mission and goals of the organization. A discussion of the linkage is part of the Performance Planning phase of PPS. The evaluation part of performance management provides an assessment of how well all employees are performing to reach established goals and objectives.

Performance Planning

Every DOR employee will receive a written performance plan on the Revenue Performance Evaluation form containing the Core Competencies, Job Performance Factors, Individual Performance Objectives and Performance Standards on which his/her performance will be evaluated.

Statewide uniform core competencies defined by the State Personnel Director will be incorporated into every employee's performance plan and considered as a part of every employee's evaluation.

A planning session between the supervisor and employee must occur within 30 days of the beginning of the performance evaluation period or within 30 days after appointment of a new employee. The Department of Revenue performance cycle begins on April 1 and ends the following March 31. Performance plans are to be approved by the second-level supervisor (the reviewer) before the plan is finalized and presented to the employee. Appointing authorities will insure that plans and standards are consistent throughout their division. Supervisors are to ensure that each subordinate employee understands the plan and what is expected of his/her performance.

If a supervisor fails to plan and/or evaluate an employee's job performance, the reviewer is responsible for completing the plan and/or evaluation. If the reviewer

fails to plan and/or evaluate in a timely manner, the reviewer's supervisor is responsible for completing the plan and/or evaluation and on up the chain of command until the plan and/or rating is completed as required by law. If an evaluation is not completed for an employee, the employee's performance will be considered to be Proficient for the relevant period.

All supervisors will have a provision or "factor" in their own performance plans to evaluate the effectiveness of their performance management, including planning and performance evaluation of employees.

Employee performance plans will align with Department of Revenue goals and objectives.

Coaching and Progress Review

Coaching and feedback during the performance year are essential and required, including at least one mandatory and documented mid-year progress review.

Performance deficiencies are to be addressed as soon as they are recognized using progressive correction/discipline. If necessary, an interim evaluation may be completed in order to document performance deficiencies.

Performance Evaluation

Performance ratings will be quantitative throughout the department. Ratings will utilize the four established rating levels:

- Level 1 Unsatisfactory
- Level 2 Proficient
- Level 3 Commendable
- Level 4 Excellent

Evaluations are to be based upon facts and data, however the judgment of individual supervisors is important to the success of the PPS. Rating level descriptions are:

Level 1-Unsatisfactory This rating level encompasses those employees whose performance does not consistently and independently meet expectations set forth in the performance plan, as well as those employees whose performance is clearly unsatisfactory and consistently fails to meet requirements and expectations.

Marginal performance requires substantial monitoring to achieve consistent completion of work, and requires more constant, close supervision. Though these employees do not meet expectations, they may be progressing satisfactorily toward a Level 2 rating and need to demonstrate improvement in order to satisfy the core expectations of the position. A Level 1, Unsatisfactory rating must be accompanied by a performance improvement plan or a corrective

action and a specific amount of time during which the employee must improve performance.

Level 2- Proficient This rating level encompasses a range of expected performance. It includes those employees who exhibit competency in the work behaviors, skills, and assignments for the job, as well as those employees who are successfully developing in the job. These employees are meeting all the expectations, standards, requirements and objectives on their performance plan and, on occasion, may exceed them. This is the employee who reliably performs the job assigned.

Level 3-Commendable This rating level encompasses the accomplished performers who consistently exhibit the desired competencies effectively and independently while frequently exceeding expectations, standards, requirements, and objectives of the job assigned. Their work has a documented impact beyond the regular assignments and performance objectives that directly supports the mission of the organization.

Level 4-Excellent This rating represents consistently exceptional and documented performance or consistently superior achievement beyond the regular assignment. Employees make exceptional contribution(s) that have a significant and positive impact on the performance of the unit or the organization and may materially advance the mission of the organization. The employee provides a model for excellence and helps others to do their jobs better. Peers, immediate supervision, higher-level management and others can readily recognize such a level of performance.

All employees will be evaluated, in writing, at least annually based on their job performance during the previous year. In the case of a transfer or employee separation that occurs prior to the end of the performance evaluation cycle, the former immediate supervisor must prepare a written evaluation of the employee's performance within 30 days of separation. The annual performance evaluation period in the DOR is April 1 through the following March 31.

Quotas or forced distribution processes for determining the number of ratings in any of the four performance levels shall not be established.

Sanctions for failure to plan or evaluate will be imposed. Absent extraordinary circumstances, the responsible supervisor will be given a corrective action and no more than 30 days to complete the plans or evaluations. Absent extraordinary circumstances, failure to complete the corrective action within the time period will result in a pre-disciplinary meeting and a disciplinary action of a one-week suspension without pay or equivalent disciplinary action. A supervisor who fails to complete performance plans or evaluations will be ineligible for any monetary performance salary adjustment under the Performance Pay System.

Review Process

In order to assure a high level of quality and consistency throughout the department, a rigorous review process will be a part of the Evaluation phase of PPS. At a minimum, a higher-level supervisor/manager must review the supervisor's evaluation of the employee's performance. The evaluation is not final until reviewed by the designated person or panel. The persons to be involved in the review will be determined by DOR appointing authorities. The appointing authority, designee or panel will review all level 1 (Unsatisfactory) and level 4 (Excellent) evaluations. Level 4 evaluations will be accompanied by a narrative justification. The review process is intended to insure that raters are using challenging and realistic standards that are consistent with department philosophy and other supervisors. Reviewers are to confirm that performance ratings are supported by documented and persuasive evidence. The reviewer/review panel has the authority to return a rating to the rater for more information or to make changes to the rating. A reviewer/review panel also has the authority to change a rating.

Prior to the allocation of performance salary adjustments, the Executive Council will review the distribution of evaluations in the DOR. Inconsistencies will be investigated and corrected to insure that evaluators are "using the same ruler" to measure performance.

III. Dispute Resolution

The Performance Pay System dispute resolution process differs from the grievance procedure and the appeal process that pertain to other matters. The PPS dispute resolution system will have two parts—1) Resolution within the Department of Revenue and 2) Resolution of unresolved issues by the Department of Personnel and Administration (DPA). Informal resolution of disputes at the lowest level is encouraged.

The dispute resolution process must be open and impartial and must allow the parties an opportunity to have issues heard.

Employees will be informed of their right to dispute a performance plan, a final performance evaluation or lack of an evaluation, and an allegation that the Department of Revenue did not follow its own PPS Plan. An employee must meet with or communicate with the rater within five (5) workdays of receiving a plan or evaluation that he disputes in an attempt to resolve the dispute. If the dispute is not resolved and the employee wishes to ask for review of the disputed plan or evaluation by the appointing authority, he/she must present an explanation of the dispute and his/her issues to the appointing authority within five (5) workdays of receipt of the rater's decision. The notice of dispute must be in writing and must state:

1. Why the employee disputes the plan/evaluation,
2. Specific facts that bolster the employee's point of view,
3. The remedy requested by the employee.

Dispute Resolution Process	Time Frame
1. Employee and supervisor attempt to resolve dispute	ASAP, but not more than 5 workdays from receipt of the plan or evaluation
2. If the dispute is unresolved, the employee files a written notice of dispute with the appointing authority *	Within 5 workdays of the decision in step 1
3. Appointing authority determines who will consider the dispute	
4. Meeting conducted by the person or panel designated to consider the PPS dispute	Within 10 workdays of receipt of notice of dispute
5. Written decision to employee	5 workdays of meeting

The appointing authority may address the dispute personally or may delegate this to another manager or a dispute resolution committee. Within ten (10) workdays of receipt of the notice of dispute the appointing authority or committee will meet with the employee.

The employee will be apprised in writing of the final decision within five (5) workdays after the meeting. Timelines may be waived by mutual consent of the parties.

Employees may only dispute the following issues:

- ◆ Their own performance plan, (or lack of a plan),
- ◆ Their own final performance evaluation, (or lack of an evaluation),
- ◆ Application of the Department of Revenue's performance pay program, policies or processes, to the individual employee's plan and/or evaluation,
- ◆ Full payment of an performance salary adjustment.

The following issues are not disputable:

- ◆ The content of the department's performance pay program,
- ◆ Matters related to the funds appropriated,
- ◆ The performance evaluations and performance salary adjustments of other employees,
- ◆ The amount of a performance salary adjustment, including whether it is base or non-base building, unless the issue involves the application of the agency's performance pay program.

* Department of Revenue appointing authorities or designees shall be the decision-makers in the internal dispute resolution process. Senior Directors or the Executive Director shall be the decision-maker on disputes of an appointing authority's rating of a direct report. Appointing authorities may delegate the authority to resolve disputes. The delegation must be in writing and publicized in advance. All employees must be notified of the authorized decision-maker for their disputes.

Decision-makers are limited to addressing facts surrounding the current action and shall not substitute their judgment for that of the rater and reviewer, but may instruct raters to

- ◆ Follow the Department of Revenue's plan,
- ◆ Correct errors,
- ◆ Reconsider a performance plan or overall performance rating,
- ◆ Suggest other appropriate processes such as mediation.

Decision-makers cannot render a decision that would alter the Department of Revenue's performance pay program.

A description of the internal dispute resolution process including time limits and name or position of the appointing authority shall be communicated to employees annually.

Final resolution of issues concerning the individual's performance plan (or lack of plan) and the individual's final performance evaluation (or lack of evaluation) shall occur at the internal level. Employees will have no further recourse for resolution of these disputes.

Disputes concerning application of the Department of Revenue's performance pay program, policies or processes to the individual employee's performance plan and/or evaluation, or full payment of a performance salary adjustment * may proceed beyond the department to the State Personnel Director (external dispute process) after completion of the internal process. [* Full payment disputes that are subject to review by the Personnel Director are those in which the employee has earned and been approved for a performance salary adjustment, but the adjustment was not made].

Employees must be given written notice that they may, after completion of the internal process, submit a written request to the State Personnel Director (external process), provided it concerns the application of the department's performance pay program or full payment of a performance salary adjustment. Notice shall include deadlines for filing, a list of what must be included in the request, and the address for filing.

The employee must make the request to the State Personnel and Administration Director within five working days of the Department of Revenue's final decision and must include copies of the original issues and the final decision.

Only issues originally presented in writing shall be considered throughout the dispute resolution process.

No party has an absolute right to legal representation, but may have an advisor present. The parties are expected to represent and speak for

themselves. The definition of an advisor shall be included in the Director's Procedures.

Retaliation against any person involved in the dispute resolution process is prohibited.

IV. Performance Pay

Performance salary adjustments will be driven by the evaluations completed by raters and reviewers and will be within system boundaries. All Department of Revenue employees within a given rating level will receive a performance salary adjustment that is the same percent of base salary. However, base building performance salary adjustments when added to the employee's base pay, may not exceed the pay range maximum in the state pay plan.

The annual total compensation survey will continue to be conducted according to statute as a process separate and apart from Performance Pay System performance salary adjustments.

The pay range maximum is the upper limit on base salary.

In accordance with P-3-19, salary adjustments must be base building except that, if the final overall rating is at Level 4 any portion of the adjustment amount that exceeds grade maximum shall be paid as a one-time lump sum in the July payroll.

Performance Salary Adjustments will be a percentage of base salary, effective on the statewide common date of July 1.

All adjustments are subject to available funding and no performance salary adjustment will be guaranteed.

Eligibility for Performance Salary Adjustment

Level 1 performers are not eligible for a performance salary adjustment.

For those below the pay range maximum, the performance salary adjustment amount will be those listed below:

For Employees Below Pay Range Maximum	
Performance Level	Performance Salary Adjustment
Level 1	0%
Level 2	X% may not exceed <i>pay range maximum</i>
Level 3	Y% may not exceed <i>pay range maximum</i>
Level 4	Z% only non-base building salary adjustments may exceed the <i>pay range maximum</i>

The value of Z must be higher than Y, which must be higher than X.

Performance salary adjustments for employees at or above the pay range maximum are as shown below.

For Employees at or Above the Pay Range Maximum	
Performance Level	Performance Salary Adjustment
Level 1	0%
Level 2	0%
Level 3	0%
Level 4	Z%

No performance salary adjustment may exceed the percentage increase approved for the performance level.

Establishing the Amount of Performance Salary Adjustment

Prior to the payment of annual performance salary adjustments, the director shall specify and publish the percentage ranges for performance levels based on the available statewide performance pay funding.

The exact adjustment percentages for employees in the Department of Revenue for each rating level will be calculated only after the actual distribution of ratings is known. No employee may receive a performance salary adjustment that will cause his base pay to exceed the pay range maximum. Within this limitation the basic structure of salary adjustments will be as follows:

<u>Rating Level</u>	<u>Performance Salary Adjustment</u>
Level 1 Unsatisfactory	Zero
Level 2 Proficient	Greater than zero
Level 3 Commendable	Greater than the amount for Level 2
Level 4 Excellent	Greater than the amount for Level 3

Regardless of performance level, an employee cannot be granted an adjustment or combination of salary adjustment and lump sum payment greater than the established performance adjustment maximum. For Level 4 performers this will be the amount set by the State Personnel Director or the amount set by the Department of Revenue Executive Council, whichever is lower.

Effort shall be focused on training and communication to encourage use of the variety of non-salary and monetary incentives currently available in the state personnel system to supplement salary-based performance salary adjustments.

Teamwork can be measured as a component of an individual's performance plan and performance salary adjustments (base and non-base) proportioned accordingly.

The Executive Council will oversee the quality of the performance pay program within the department.

Performance salary adjustments for employees employed within the Department of Revenue/State Personnel System for less than the full rating cycle will be prorated. The adjustment annual amount will be calculated by multiplying the monthly percentage adjustment for which the employee is eligible by the number of months during the DOR evaluation period that the individual was employed, then dividing this figure by 12. Any portion of the first month will count as a full month.

Examples:

An individual is appointed on July 1 and works the balance of the rating period:

- ◆ Monthly performance salary adjustment amount: \$57,
- ◆ Prorated by the number of months from the date of hire through the end of the rating period: (July through March) $57 \times 9 = \$513$,
- ◆ Divided by 12: \$513 divided by 12 = \$42.75 rounded to \$43 (This amount is added to base pay).

An employee is hired on September 10 and works the balance of the rating period:

- ◆ Monthly performance salary adjustment amount: \$120,
- ◆ Prorated by the number of months from the date of hire through the end of the rating period a partial month counts as a full month, (September through March) $120 \times 7 = \$840$,
- ◆ The addition to monthly base pay is calculated by dividing by 12: \$840 divided by 12 = \$70 (this amount is added to the employee's base pay).

In order to receive a base building or non-base building performance salary adjustment, the individual must be employed on July 1, the date that PPS performance salary adjustments become payable. An individual who is granted a non-base performance salary adjustment and then leaves the department after July 1 is entitled to the performance salary adjustment payment.

V. Training Plan for the Performance Pay System

Department of Revenue supervisors must attend a Performance Pay System training session that covers the following subjects:

An overview of the main features of the Performance Pay System;

- ◆ Requirement for a plan, mid-year review and final evaluation,
- ◆ Rating levels,
- ◆ Core competencies,
- ◆ How to calculate quantitative weights and factors,
- ◆ Base building and non-base building performance salary adjustments,
- ◆ July 1 effective date,
- ◆ No quotas or forced distribution,
- ◆ How to complete the new Department of Revenue evaluation form.

The planning process

- ◆ An explanation of the Core Competencies and how to incorporate them,
- ◆ An explanation of performance factors and individual performance objectives,
- ◆ How to write performance objectives,
- ◆ Weighting of factors,
- ◆ How to effectively include employees in the process,
- ◆ The Department mission and objectives - the “line of sight.”

Mid-year review

- ◆ The important things to cover,
- ◆ On course or correction needed,
- ◆ Revising the plan.

Annual evaluation

- ◆ Pre-evaluation conference,
- ◆ Preparing the recommended evaluation,
- ◆ The review process,
- ◆ The review process for Unsatisfactory and Outstanding evaluations,
- ◆ Communicating the final evaluation to subordinate employees.

Dispute resolution

- ◆ Steps and deadlines,
- ◆ Contrasting appeals/grievances/PPS dispute resolution,
- ◆ What is open to dispute,
- ◆ What is not open to dispute,
- ◆ Internal vs. external process.

Establishing performance salary adjustments

- ◆ Performance salary adjustments based on performance,
- ◆ Performance salary adjustments equal for everyone at a rating level,
- ◆ All performance salary adjustments below range maximum are base building,
- ◆ Performance salary adjustments for Level 4 performers non-base building.

Approved. M. Michael Cooke, Executive Director

Date

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