



Merit Handbook

University of Missouri System
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Introduction

Merit information

In 2014, the University moved to a new title and staff salary structure, which provides the foundation for administering compensation in a fair and consistent manner. The new structure positions the University to successfully recruit, retain and reward high quality employees.

An important element of this new program is pay-for-performance, which means that an employee's job performance plays a key role in determining the appropriate level of pay within the new structure. The annual performance review process is the primary method for assessing and rewarding employees based on performance using the new structure.

Each year, as part of the University's review of salaries and performance, merit increases are determined based on three elements: the University's budget, the employee's performance and the employee's compa-ratio (see the Glossary of Terms at the end of this guide).

Departmental supervisors and leaders are responsible for evaluating employee performance annually, and for collaborating with each other to determine merit increases for each of their employees. Supervisors provide feedback to each employee regarding their performance for the review period, and help employees understand how their performance translates into a pay decision.

This handbook is designed to give supervisors and leaders the tools and information needed to work effectively through this process. Supervisors should also ensure that pay actions align with the Compensation Leadership Administration Guidelines.

Leaders with questions on how to successfully implement the pay-for-performance model discussed in this handbook may request a consultation by contacting the University of Missouri System Office of Human Resources prior to communicating with the employee. You can reach the Human Resources office by calling (573) 882-8279 or via email at umhrcomp@umsystem.edu.

Merit Handbook for Exempt and Non-Exempt Staff

Effective Pay Communication

Research¹ shows:

- Communication helps to improve the effectiveness of reward programs
- Line managers and compensation professionals often fall short in their attempts to communicate pay strategies and practices
- In a recent WorldatWork survey, 29% of participants reported that communication regarding pay practices is the component of their rewards program most in need of improvement
- In the same survey, respondents reported strong belief that communications regarding pay impact:
 - Organizational effectiveness and performance (78%)
 - Employee satisfaction with pay (81%)
 - Employee retention (79%)
 - Employee engagement or motivation (78%)

Leaders play a vital role in helping the University create and maintain an environment in which outstanding job performance is recognized and rewarded appropriately. Accordingly, they must:

- Understand their role and the value they add when communicating a pay raise
- Understand the University’s pay philosophy (i.e. performance based merit increases vs. across-the-board cost of living increases)
- Communicate in a way that makes the employee feel rewarded and recognized by the increase

Effective	Not Effective
Provide the context for the pay raise. For example, it is the University’s philosophy to award pay increases based on merit and contribution.	Fail to give the employee the context for the increase.
Tell the employee why they are receiving a base pay increase. Be as specific as possible about the contributions they made during the year.	Fail to link performance and pay.
Give the employee the amount in dollars of the increase. Talk in terms of the employee’s new annual salary.	Discuss the increase in terms of % of pay. (In a national environment where pay increases 2-3% on average for employees who are performing, a percentage will not serve as a motivator.)
Do not pursue why the raise is not more substantial unless the employee brings it up during the meeting.	Compare the employee’s increase to that of any other employee.
Thank the employee for their work and commitment, and express faith and confidence that the employee will continue to contribute and that you will value all of their future contributions.	Compare the employee’s performance to the performance of any other employee.
The annual performance review and corresponding merit increase should reflect the feedback given to the employee throughout the performance review cycle.	Fail to communicate performance throughout the year (employee is ‘surprised’ to find out how the manager views his/her performance).

¹ WorldatWork. “Rewards Communication and Pay Secrecy: A Survey of Policies, Practices and Effectiveness.” 2008.

What to Communicate About Our Pay Policies

Compensation Philosophy

Driven by the University’s mission, strategies, design and structure, the compensation philosophy serves as the foundation for pay policies that are externally competitive within the appropriate market for talent and/or the higher education industry, internally equitable and performance based.

Pay Ranges

Provide context to compare pay for our jobs to the external market. Pay range values are regularly assessed using market surveys and benchmarking.

Progression through the Pay Range

An employee’s level of pay within the pay range is based on the employee’s level of skill, experience and performance. Employees are expected to progress through their assigned pay range over time, provided they continue to develop job-related skills and become fully functional in their position. This period of time will vary for different job levels and is based upon sustained satisfactory or better performance and the University’s ability to pay – a determination within the sole discretion and judgment of the University.

The annual merit increase is the most common type of base pay increase, and is discussed in detail in this handbook. There are several other types of salary adjustments including transfers, promotions, demotions, market adjustments, extra compensation and temporary pay increases. For more information, refer to the Compensation Leadership Administration Guidelines, available on the compensation section of the University of Missouri System website (<http://umurl.us/comp>).

Once an employee reaches the range maximum, base salary is not increased unless the pay range is adjusted relative to a review of the external market. In the interim, employees at the range maximum who are assessed to have sustained successful to outstanding performance ratings may receive a lump sum merit increase (less applicable taxes) in lieu of merit increase to base pay.

If an employee receives a rating of “exceeds expectations” or “outstanding” and is at the top of the pay range, leaders should work with the Office of Human Resources to identify appropriate ways to assist or support the employee in developing a career progression path.

Pay Range Value	Minimum	Midpoint	Maximum
Interpretation	Our pay range minimum reflects the typical minimum pay for the type of work in the external market.	Our pay range midpoint is considered the market rate for the job.	Our pay range maximum reflects the typical maximum pay for the type of work in the external market.
How pay levels within the pay range are typically determined	An employee who is minimally qualified and is able to perform basic duties and responsibilities after normal training.	Experienced and fully qualified employee whose performance fulfills the requirements of the position.	Highest salary level for an employee whose performance consistently exceeds most job requirements OR for an employee with long service in the same job or grade.

Common Communication Challenges

These are some common communication challenges managers may encounter while discussing merit increases with employees:

Communication Challenge	Recommended Response
<p>The employee disagrees with your assessment of why he/she earned the raise received.</p>	<p>Seek to understand the employee's specific concerns:</p> <ul style="list-style-type: none"> ▪ Consider if the assessment is complete, accurate, balanced and free from bias. (If not, make the necessary corrections.) ▪ Ensure the employee understands the process (the merit pool, and process for allocating increases based on performance and compa-ratio). ▪ If the employee is still not satisfied, suggest the next steps the employee can take (discuss with the next level manager or HR).
<p>The employee wants to know how his/her raise compares to those of other employees.</p>	<p>Focus the conversation on the employee's raise compared to the guidelines and standards provided. Do not compare the employee's increase to that of any other employee.</p>
<p>The employee wants to know the range of the percentages of increase that were available in the University's pay plan.</p>	<p>Explain the University's philosophy and process for determining merit increases; provide examples; check to ensure understanding.</p>
<p>The employee wants to know how he/she can earn a larger increase next time raises are available.</p>	<ul style="list-style-type: none"> ▪ Discuss specific ways the employee can move to the next level of performance within the same job title (unless at top of range). ▪ Discuss how the employee might develop professionally to move to the next job level (if applicable). <p>Note: the manager should provide guidance and encourage the employee to take ownership of his/her own development.</p>
<p>The employee wants to know why they did not receive a pay raise.</p>	<p>This depends on the reason for no pay increase:</p> <ul style="list-style-type: none"> ▪ Employee's pay is at the top of the pay range: explain that the maximum pay for the job is based on the external market, and it is the University's philosophy to not pay above the market maximum for the job. If applicable, discuss how the employee might develop professionally to move to the next job level, or find a different career path within the University ▪ Performance concerns: it should not be a surprise to the employee that there are performance concerns. Help the employee make the connection between the level of performance and the University's pay for performance philosophy. If the performance concerns are significant and sustained, consult with HR regarding the appropriate action to take (i.e. performance improvement plan).

How to Determine a Merit Increase

Step 1

Leaders begin by assessing each employee’s performance using the standards and performance goals established for the period under review. (Reminder: it is important to not compare an employee’s performance to that of any other employee.)

Step 2

Next, the leader refers to the merit matrix (see page 8) to propose a merit increase that corresponds with the employee’s performance rating and compa-ratio (see Glossary of Terms at the end of this guide). If an employee’s current pay is at either end of the pay range (high or low), it will have an impact on the potential merit increase.

For example, an employee receiving an outstanding performance rating who has a compa-ratio of < 0.94 would be eligible for a greater merit increase than an employee who received an outstanding performance rating with a compa- ratio of 0.95 – 1.05. If an employee is rated as improvement expected or unacceptable, then they would not be eligible for a merit increase. This methodology helps to normalize internal pay equity (see Glossary of Terms at the end of this guide).

Step 3

After completing the individual evaluations and identifying the potential corresponding merit increase it is highly recommended that departmental leaders hold calibration sessions with their team(s) to compare each employee’s relative contribution and proposed corresponding merit increase. A relatively normal or slightly skewed to the right distribution is expected to emerge from this process, with the majority of employees in the successful category, and fewer employees at either end of the scale as shown below.

NOTE: merit increases should not be communicated to employees until departmental/division calibration has taken place and merit increases have been approved through executive calibration.

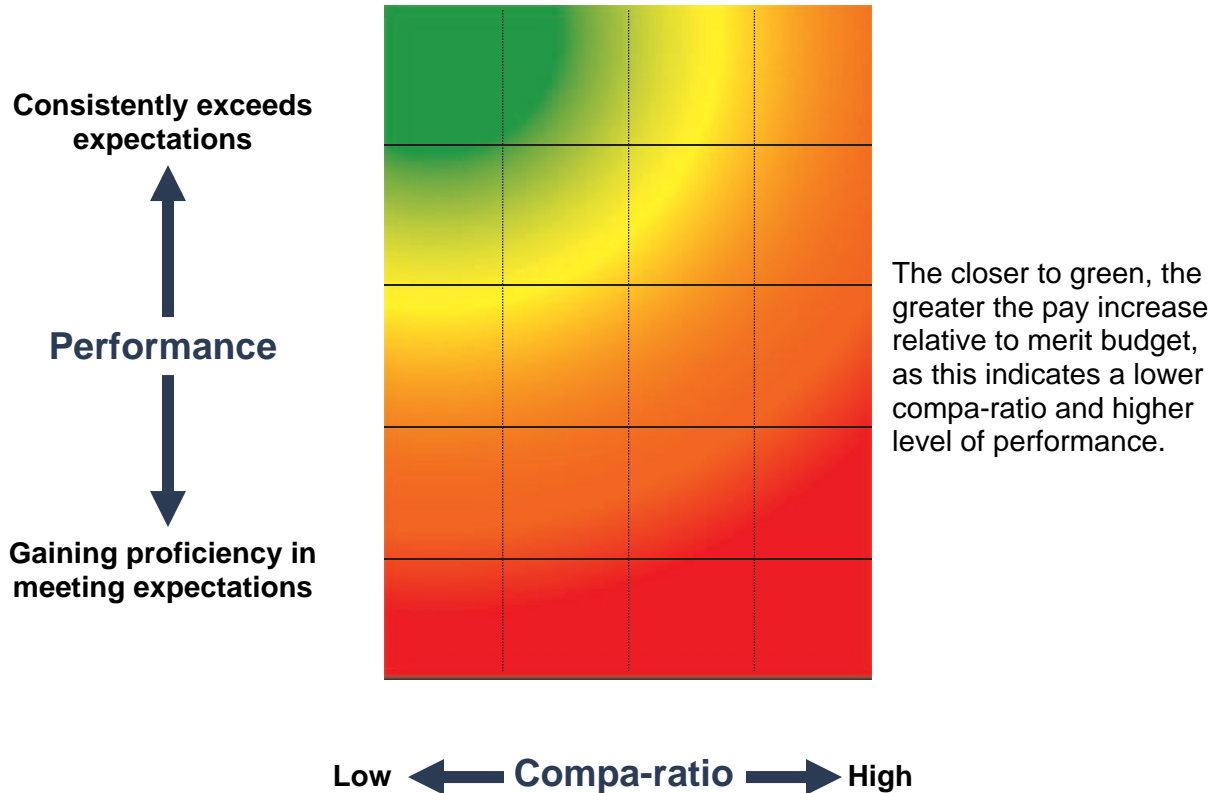
Unacceptable	Improvement Expected	Successful	Exceeds Expectations	Outstanding
With proper management throughout the performance period, few employees should fall in this category.	Some employees may fall here, especially those who are new to the role.	The majority of employees are expected to fall here.	Some employees may fall here, especially those with longer experience who consistently deliver superior results.	By definition, only the top few employees with sustained, stellar performance should be rated in this category

Merit Matrix for Exempt and Non-exempt Staff

The merit matrix outlined in the chart below shows the recommended merit increase ranges based on two elements:

1. The employee's performance measured against key responsibilities and success factors.
2. The employee's compa-ratio (see Glossary of Terms at the end of this guide).

The high end of the merit increase range is recommended for the employees with lower compa-ratios and higher performance scores; the low end of the merit increase range is recommended for employees with higher compa-ratios and/or lower performance scores. Employees with a rating of improvement expected or unacceptable are not eligible for a merit increase.



Using the merit matrix, the leader proposes a merit increase percentage for each employee. Salary increases should not be communicated to employees until executive calibration has taken place

Global Grading System (GGS) Salary Ranges

GGS Salary Ranges – FY2016					
Grade	MIN	25 th	MID	75 th	MAX
1	7.70	8.57	9.43	10.30	11.16
2	8.27	9.42	10.58	11.73	12.88
3	9.09	10.47	11.85	13.23	14.61
4	10.43	12.02	13.60	15.19	16.77
5	11.54	13.60	15.65	17.71	19.76
6	13.27	15.64	18.00	20.37	22.73
7	15.29	18.00	20.70	23.41	26.11
8	16.92	20.36	23.80	27.24	30.68
9	19.47	23.42	27.37	31.33	35.28
9E	47,476	48,714*	56,936*	65,166*	73,374
10	47,476	56,733	65,468	75,248	84,505
11	53,600	64,448	75,296	86,144	96,992
12	62,000	76,188	90,376	104,564	118,752
13	71,900	90,186	108,472	126,758	145,044
14	83,400	106,778	130,156	153,534	176,912
15	100,000	128,052	156,104	184,156	212,208
16	110,800	149,078	187,356	225,634	263,912

The effective date of this structure is 7/1/2017. For the most up-to-date pay matrices, visit <http://umurl.us/paymatrix>.

* Note: the 25th, 50th (midpoint) and 75th values for grade 9E are calculated based on the original range minimum for grade 9 of \$40,498 versus the published range minimum for grade 9E of \$47,476 which is minimum threshold for most jobs that are FLSA exempt, beginning with jobs in grade 9E.

Student Compensation

The chart below² serves as a guideline to assist departments in determining student pay and merit increases.

Characteristics	Level I	Level II	Level III
Skills and knowledge	No special skills nor previous training/work experience required. Ability to learn assigned tasks and understand and follow oral and written instructions, and communicate effectively with others.	Work requiring some training, specialized skills or related experience.	Work requires a specialized skill or area of knowledge, as well as previous related experience or training. Generally requires a bachelor's degree.
Supervision received	Frequent and direct supervision of work performed and outcomes.	General supervision	Work is performed without direct supervision.
Supervision exercised	None	None	Functional supervision may be exercised over staff/students.
Scope of work	Tasks require short periods (hours) of time to complete with interaction internal to the unit.	Tasks require a minimum amount of time (day(s)), to a period of a week to complete.	Tasks are broad and performed over a period of several months.
Decision making skills	Little to no decision making involved with tasks.	Some decisions made involving tasks performed.	Makes frequent decisions regarding tasks, time, data; may evaluate performance of others.
Training/advice given	Only a minimal amount of on-the-job training is required to enable the employee to perform the job satisfactorily.	General or limited guidance or instruction is given.	Minimal guidance or instruction is given.
Examples of titles	Student Assistants at the Clerical, Technical, Crafts/Trades, Services, Farm and/or Professional Levels	Student Assistants at the Clerical, Technical, Crafts/Trades, Services, Farm and/or Professional Levels. Graduate Assistant, Peer Learning Assistant, Student Research Assistant, Student Teaching Assistant.	Graduate Assistant, Graduate Fellow, Graduate Instructor, Graduate Library Ast., Graduate Research Ast., Graduate Teaching Ast., Peer Learning Assistant, Student Research Ast., Student Teaching Ast.
Suggested global grade	\$7.65 - \$9.25	\$8.00 - \$12.95	\$13.08 and up

² Source: <http://hrs.missouri.edu/policies-and-procedures/pay-and-compensation/compensation-and-classification/student-wages-and-titles.php>

Glossary

Base pay – The fixed compensation rate paid to an employee for performing specific duties. It does not include extra pay such as shift premium, call pay and overtime.

Compa-ratio – Compa-ratios are used to measure and monitor an individual's actual rate of pay to the midpoint or control point of their pay range. It is a useful gauge for leaders to use in assessing experience versus salary level, magnitude of salary adjustment, etc. Compa-ratio is determined by the following formula: current base salary (based on 1.0 FTE) / midpoint of the salary range.

Example: a full-time employee in grade 8 has a base salary of \$35,000 per year.

$\$35,000 / \$46,500 = 0.75$

- A compa-ratio of < 1.0 indicates that the salary is less than the midpoint the midpoint of the range
- A compa-ratio of > 1.0 indicates that the salary is greater than the midpoint of the range

Compensation Administration Guidelines – A document to provide information to assist Human Resources and University leaders in setting and administering employee compensation. It is available as a PDF on the compensation section of the University of Missouri System website (<http://umurl.us/comp>).

Internal pay equity – The relative relationship of employees' salaries to one another within like positions, based upon experience, performance, etc.

Pay grade (aka “global grade”) – A group of jobs of the same or similar value, used for compensation purposes. All jobs in a salary grade have the same pay range: minimum, midpoint and maximum. The grade assignment for a job is determined through a job evaluation process that includes both internal and external comparator information.

Salary range maximum – The highest level of pay for a position based on its assigned pay grade within the University's pay structure. Pay at this level is intended for employees whose performance levels consistently exceed most position requirements.

Salary range midpoint – The middle point between the minimum and maximum of the salary range. This value typically represents the market value or “going rate” for an experienced individual in the position.

Salary range minimum – The rate paid to an employee who possesses the minimum qualification of the position and who is expected to be able to perform the basic duties and responsibilities of the position.



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