CRITICAL COMPENSATION FUND

University salaries have fallen behind the market for both faculty and staff. For example, despite being a world-class university, UW-Madison faculty compensation lies at the bottom of our peer group -- and the gap is growing. According to the 2011-12 Annual Report of the Commission on Faculty Compensation and Economic Benefits, “In the past decade, UW-Madison faculty salaries have fallen, on average, one percent per year behind the median average at peer institutions.” Similarly, it has become difficult to attract and retain academic and classified staff, particularly in highly-technical fields.

To address this increasingly-critical situation, the university has decided to proceed with a plan to provide GPR funds and the authority to use non-GPR funds to help address this compensation gap. An allocation of 2% of GPR funds generated by all eligible employee groups has been budgeted. The purpose of the Critical Compensation Fund (CCF) is to preserve the University’s ability to carry out its mission by providing funds to increase the compensation of critical faculty and staff. This strategy will not involve across-the-board increases. Instead, we will provide targeted pay increases to address equity, retention, market influences and, for classified employees, exceptional performance.

A. Criteria for CCF awards

1. Faculty, Academic Staff and Limited
   a. CCF funding is to address market, retention, and equity concerns. This is not a pay plan based on merit.
   b. Meritorious performance is, however, necessary for an employee to be eligible for an adjustment.
   c. For faculty, the relevant time span for consideration of sustained achievement normally may reach back as far as five years preceding the recommendation of an adjustment to the dean. Sustained achievement recognized by awards and prizes often trigger a market or equity concern which this initiative can address. Departments and deans are urged to also consider evidence of significant educational innovation as a marker of meritorious performance.

   Examples of meritorious performance indicators:

   1. External peer-reviewed markers of sustained achievement
      a. Achievement recognized in nearly all fields (e.g., election to AAAS);
      b. Achievement recognized in some fields (e.g., Guggenheim Fellowship);
      c. Achievement recognized in your field (e.g., significant recognition of publication, research awards, program project awards).
2. Internal peer-reviewed markers of sustained achievement
   a. Award based on a *campus-wide process* (e.g., a WARF Professorship, Distinguished Teaching Awards);
   b. Achievement related to a group of units (e.g., a cluster or split appointment);
   c. Rating by *home department* (consistently high annual evaluations).

*These are illustrative rather than exhaustive; in all cases, local units and schools decide on valid markers of achievements.*

2. **Classified Staff**
   a. CCF funding is to address market, retention, equity, and outstanding performance. It is not considered a pay plan.
   b. Discretionary Merit Compensation (DMC) adjustments will be used to provide CCF compensation increases. The campus DMC policy (see below for link to the policy) describes the guidelines for providing these adjustments.

**B. Eligibility for CCF awards**

1. **Academic Staff and Limited** – All academic and limited staff are eligible for adjustments except as follows
   a. Category A academic and limited staff may not exceed their pay range maximums.
   b. Employees with fixed-term terminal or hourly appointments.
   c. Employees who began employment on or after July 1, 2011 (i.e., it is assumed they were hired at competitive rates).
   d. Re-employed annuitants.

2. **Faculty** – Although all faculty are eligible, those hired at market rate within the last 2-3 years or who received a market rate base adjustment for retention purposes within the last 2-3 years should not receive first consideration.

3. **Classified Staff** – All permanent and project employees are eligible for adjustments except:
   a. Supervisors who have not completed formal performance evaluations on all subordinate employees within the past 12 months;
   b. Employees who were rated below satisfactory in the previous fiscal year;
   c. Employees in broad band pay schedules who were hired within last 12 months (it is assumed that they were hired at competitive rates);
   d. Employees at their pay range maximums;
   e. Employees in crafts worker and related positions; and
   f. Employees in LTE appointments.
C. Using the CCF to increase compensation

1. **Faculty, Academic Staff and Limited** – all will be base salary adjustments.

2. **Classified Staff**
   a. Increases will be permanent base salary adjustments for employees in positions currently within broad banded pay schedules (primarily FLSA exempt/salaried). These adjustments can be for market, retention, equity and outstanding performance.
   b. Increases will be lump sum payments, based on performance, for employees in non-broad banded pay schedules (primarily FLSA non-exempt/hourly positions). This is because the state compensation plan prohibits base salary adjustments for these employees. Campus funding for lump-sum payments will be provided only for FY 2012-13.

D. **Effective dates of CCF adjustments** -- Adjustments may be effective as early as July 1, 2012 for those on 12-month appointments and August 27, 2012 for those on 9-month appointments. Adjustments cannot be made retroactively; the earliest effective date will be the first day of the month following receipt of the department’s recommendation by the dean’s/director’s office. Classified adjustments will be effective the beginning of the first pay period after the request is received.

E. **Additional guidelines for CCF awards**

1. **Non-state funds** – Faculty, classified staff, academic staff and limited employees on non-state funds (including gifts, grants, contracts and auxiliary revenue) are subject to the same policies as state-funded staff. Units are expected to expend 2 percent of funds for this purpose.

2. **Campus values and strategic support for interdisciplinary and cross-college partnerships** - Deans/directors should consider the link between department and/or program area and the strategic priorities of the university, as well as the school/college/division.

3. **Other types of adjustments** -- This fund is not a substitute for promotions, or for base adjustments/reclasses based on changes in job duties, both of which should continue as usual. Classified and academic staff members who work in areas where positions have been eliminated should be reviewed to see if these employees have taken on new duties as a result and, if so, whether those duties warrant an adjustment based on a change in duties.

4. **Proactive adjustments** -- Units are encouraged to use CCF funds proactively to retain valued employees. It is not necessary that an outside offer either exist or be pending for a salary increase to be granted under this program. However, each school/college/division must be able to justify the use of the funds in the context of these guidelines.
5. **Existing salary equity** -- To ensure that current salary levels are equitable, units should pay particular attention to employees with similar duties, experience and performance to ensure discrepancies do not exist.

6. **Distribution equity** -- Deans/directors must review CCF awards to ensure they reflect an equitable distribution based on gender, race and ethnicity.

7. **Distribution by funding source** -- Differential treatment based on funding source is not permitted.

8. **Adjustment minimums**
   a. **Academic Staff and Limited** -- individual salary increases cannot be less than 5% of an employee’s current salary or $3,000, whichever is higher.
   b. **Classified Staff** -- individual salary increases/lump sums cannot be less than 5% of an employee’s current salary or $1,500, whichever is higher.
   c. **Faculty** -- individual salary increases cannot be less than 5%.

9. **Distribution limit** -- CCF funding may not be used to provide general “across-the-board” increases. It is anticipated that no more than 30% of eligible employees within a school, college or division may receive a CCF increase.

10. **Using existing base budget to supplement the CCF** -- Units may supplement, from their base budgets, the funding from the CCF to increase the amount of a base adjustment or lump sum payment (for non-exempt classified only).

11. **Split appointments or multiple appointments** -- Agreement on salary base increases must be reached between employing budget units, including UW-Extension, which jointly employ staff members. If CCF salary base adjustments are not agreed to by all employing units, the recommendations will not be accepted. When salary base increases are being determined, deans/directors should remember that the increases must be in proportion to the base salary by employing unit.

12. **Prior approval of transfers** -- Transfer of state funds for retention between employment types (i.e., faculty, academic staff, classified, limited) is only permitted with prior approval from the Madison Budget Office and Office of Human Resources (OHR).

13. **No reassignment of funds** -- State funding provided for the CCF may not be reassigned to other major cost classes such as supplies or capital, and may not be used to increase the salary rates of vacant positions.

**F. Process for awarding CCF adjustments**

1. **Faculty, Academic Staff and Limited** -- The authority for approval of adjustments under this initiative is fully delegated to Deans and Directors. APO approval is not required. The names, adjustment amounts and effective dates must be submitted on a spreadsheet to APO for entry into HRS. However, each dean’s/director’s office is required to maintain records of the justifications for all adjustments and may be asked to produce that
information. The justifications should illustrate the relationship between the particular case and the criteria for CCF adjustments. Detailed submission information will be sent directly to each division’s HR staff.
2. **Classified** -- All classified adjustments, including with CCF funds, must follow the campus DMC policy. Classified Human Resources (CHR) needs to request approval from the Office of State Employment Relations (OSER) for each adjustment. Deans/directors should use the online DMC work flow process.

Campus DMC Policy --
http://www.ohr.wisc.edu/HR_Memos/DMC_Policy&Instructions_3-24-12.pdf

DMC Online Work Flow -- http://apps.ohr.wisc.edu/dmc