Date: July 6, 2015

To: Vice Presidents, Deans, Department Chairs and School Directors

From: Joseph E. Steinmetz, Executive Vice President and Provost
Andrea “AJ” Douglass, Senior Vice President of Talent, Culture and Human Resources

Re: 2015-2016 Annual Merit Compensation Process Guidelines and Instructions

Performance Culture

The annual merit compensation process (AMCP) provides an important opportunity to recognize and inspire achievement and to reinforce performance and accountability. Therefore, performance reviews are a critical component of professional development and thus are required for all employees. We want to take this opportunity to recognize our highest performers, so a distribution of raises should be provided rather than an across-the-board approach. No minimum raise is required. We also want to consider market and equity disparities and incorporate those adjustments during the AMCP process whenever possible.

Compensation Pool and General Guidance

A merit pool aggregate of 2.0% has been established this year for each college and support unit. This aggregate means that the unit must set aside the amount of continuing funds (PBA) needed to cover the aggregate pool amount of base salaries of all eligible employees in the unit.

An additional 1% cash pool aggregate will be established from central funds for one-time payments to regular faculty beyond the regular merit pool. The objective is to use these funds to recognize faculty with the highest performance, address market/equity imbalances and incentivize retention. This 1% cash pool will be provided to each college to allocate in ways that meet this objective and should be provided to no more than 15% of the regular faculty FTEs. Deans should submit their plans for allocation of these funds to Meredith Salata (Salata.9@osu.edu) by August 3rd.

All regular full-time faculty and staff, regardless of hire date or probationary status, are eligible for a compensation adjustment. Colleges/units should delay implementation of raises for staff on probationary status until successful completion of probation. Raises for those individuals may be done off-cycle at the end of their probationary period. Faculty in their last year of a probationary period who have not been reappointed or tenured should be ineligible for AMCP. Colleges/units may designate recent hires as ineligible if their offer letter, written communication or unit policy states that the hiring salary is intended to remain constant until FY17 or another planned salary review period. Colleges/units may determine that individuals who are resigning, retiring, being laid-off, or on severance are ineligible.

Aside from the additional 1% cash pool aggregate for faculty, there should be no more than 0.5% difference in the merit pool aggregate amounts among faculty, unclassified and classified staff.

Graduate associates returning to equivalent appointments should receive merit-based compensation increases consistent with the guidelines used for faculty and staff.
Associated faculty salaries and/or course rates should be reviewed at this time for inflation and/or merit increases based on the guidelines used for faculty and staff.

Individuals paid by agency funds or other non-general funds accounts (certain affiliated entities) will be governed by the raise guidelines (budget and process) set by each entity’s board. Those guidelines do not have to be identical with the university's, but should be reasonably consistent.

External grant-funded areas are given flexibility to use available compensation increase funds with college/unit approval. This decision will typically be linked to overall college/unit compensation principles.

Colleges will fund their entire aggregate pool. However, they will receive the equivalent of a 2% undergraduate, resident tuition increase (in PBA) to help fund their AMCP. Support units will be provided cash equivalent to their 2% merit aggregate pool to buffer, for one year only, the fact that the continuing funds needed for their AMCP will need to be reallocated from within their budgets.

**Merit Increases**

As stated above, the aggregate merit pool should in no way be viewed as floor for merit increases or as entitlement for “just being employed.” As a general guide for salary increase recommendations, your unit’s aggregate should be viewed as the appropriate increase for a good/very good performance year. Higher increases are certainly recommended for top performers, but they must be accommodated within your overall merit pool aggregate (i.e., for every employee receiving more than the aggregate another employee(s) must receive less than the aggregate). We also expect that there will be employees who receive no merit increase because their base pay is already commensurate with market or because their performance does not justify an increase.

**Cash Awards**

Cash awards (i.e., one time supplemental payments or bonuses) will be allowed this year, in addition to base salary adjustments. Cash awards are meant to reward exceptional achievement, performance on a project, or leadership shown in the unit. In cases where an individual's salary is above market, a cash award in lieu of a base increase can be a cost effective way to align his or her salary without using continuing funds.

*Cash awards should be excluded from the pool. Approval will be necessary for cash awards greater than $1,000. Cash awards requiring approval must be entered into the AMCP system with justification provided in the comments box. OHR Compensation will review them after entry is completed.*

**Counter Offers**

Faculty counter offers, off-cycle market adjustments or contractual agreements that have been previously approved with an effective date of September 1, 2015, can be entered as an exception to the aggregate pool as long as at least the unit’s aggregate amount is included in the pool. Any faculty counter offers that occur between now and September 1, 2015, should follow this same guidance. Staff counter offers that occur after June 30, 2015, should be entered with an effective date of September 1, 2015, and may be entered as an exception to the aggregate pool as long as at least the 2% aggregate percentage is included in the pool.
Faculty Promotions

Tenure-track faculty promotions will be funded 6% centrally (based on general funds portion of salaries) and should include at least an additional 2% from the college. Any amount from the college above their aggregate may be excluded from the pool. (e.g., a unit that wishes to provide a 10% promotional increase will receive 6% from OAA, and 2% from the college pool and another 2% outside the pool).

Market and Equity Increases

Colleges and support units are encouraged to use the AMCP process to make salary adjustments based on market and equity considerations. The aggregate pool may be increased to accommodate these adjustments, though generally not to exceed the 2% upper limit (e.g., a unit may use a 1% aggregate pool for merit and an additional 1% for market/equity). Off-cycle requests for market and equity adjustments will be closely scrutinized and will not be accepted between July 1, 2015, and December 31, 2015.

Process Logistics

All zero increases must have documentation on file in the college/unit with a rationale for why the individual is not receiving a merit increase.

If there are reclassifications occurring simultaneously with merit increases, please include them on the Increase Exception Listing. The normal request for reclassification process will need to be followed.

Cash awards that are part of a pre-approved reward program should be properly documented and kept on file at the college/unit office.

Within the Medical Center, this policy does not apply to units in the Health Systems, but does apply to the College of Medicine and Office of Health Sciences.

College and/or departments must update their college compensation philosophy annually for salary increases and make this available to individual faculty and staff on secure college websites or by other methods.

Exceptions Requiring Approval

All exceptions must be turned to the OHR Compensation Department (HRCompensation@osu.edu) by the dates listed below. OHR will collaborate with OAA on the review and approval of staff and faculty exceptions.

Due Monday, August 3, 2015

1. Exception request listing including:
   a. Individual base salary adjustments (PBA) of 10% or greater where there is a portion to be excluded from the pool
   b. Reclassifications occurring simultaneously with AMCP

2. Individual salary adjustments (PBA and/or cash) that lead to total compensation of over $250,000 (College of Medicine follows separate approval process)

3. Deans plan for allocation of 1% cash pool aggregate for regular faculty
All cash awards must be entered into the system. They are not required to be entered on the exceptions listing. However, justification must be entered into the comments box in the system. OHR will run the cash awards report and review the comments for those awards over $1,000.

### Timeline

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**July**

- July 2: Exemption listing Due
- July 9: Comp reviews and approves
- July 16: Units review job data
- July 23: Bi-weekly Effective date
- July 30: Monthly Effective date

**August**

- August 9: AMCP Closes
- August 16: Loadback to Job data

**September**

- September 6: 7
- September 13: 14
- September 20: 21
- September 27: 28