To: President’s Cabinet, Deans, Department Chairs and School Directors

From: Bruce A. McPheron, Executive Vice President and Provost
       Susan Basso, Senior Vice President, Talent, Culture and Human Resources

Subject: 2019-2020 Annual Merit Compensation Planning

Date: June 18, 2019

The Ohio State University provides a robust total rewards package that includes benefits to support faculty and staff health, finances, work-life balance and education. We also believe in rewarding performance through our annual merit compensation planning (AMCP) process. This year’s AMCP increases are effective September 1, 2019 for eligible faculty and staff.

Your role in administering AMCP is an important responsibility for you to recognize and inspire achievement as well as reinforce individual performance and accountability.

This memo outlines important guidance and instructions to provide a refresher on the approach we ask that you follow in order to consistently administer AMCP.

Please read all the information provided to identify key deadlines as well as circumstances that may apply to your college, department or unit. Additionally, the AMCP calendar for July through September highlights key dates and deadlines.

If you have concerns or questions about the information shared, please contact the senior HR professional or the member of the compensation team assigned to your college or academic support unit for assistance. Questions may also be directed to HRCompensation@osu.edu.
Guidance for the 2019-2020 Annual Merit Compensation Planning (AMCP) Process

Performance Management

Performance reviews are an important component of professional development and are required for all employees.

In order to recognize the highest performers, a distribution of raises should be awarded to employees with the strongest contributors receiving the highest amounts rather than applying an across-the-board approach. No minimum raise is required.

Merit Increases

The merit pool aggregate for each college and support unit is 2.5% plus or minus 0.05%. Each college and support unit is asked to distribute merit increases averaging 2.45% to 2.55% of their employees’ current base salaries.

Colleges fund their aggregate pool from their Present Budget Allocation (PBA). Support units are provided PBA equivalent to their 2.5% merit aggregate pool.

Employees Eligible for AMCP:

- Regular 50% or greater tenure, clinical and research track faculty
- Regular 50% or greater unclassified and classified staff

Employees Ineligible for AMCP:

- Hired, rehired, promoted or given a pay equity increase on or after April 1, 2019; however, these individuals should receive a performance evaluation
- Staff on probationary status; a merit increase may be given following successful completion of the probationary period
- On a paid or unpaid leave of absence; however, a merit increase may be given upon return to work
- Faculty in the last year of a probationary period who have not been reappointed or tenured
- Given notice for their upcoming resignation or retirement prior to September 1, 2019
- Scheduled for lay off or on severance prior to September 1, 2019
- Eligibility for a merit increase for employees who have given notice for their resignation or retirement on or after September 1st is at the discretion of the college/unit.

Other Employees

While not included in the aggregate merit pool, the following employees should receive performance reviews and may be considered for a merit increase consistent with the guidelines for faculty and staff:

- Graduate associates returning to equivalent appointments
- Temporary, term and part-time regular staff
- Associated faculty paid by salary and/or course rate
**Important Points**

- College and support units must award 2.45% to 2.55% of their 2.5% merit pool. Aggregate merit increases submitted for less than 2.45% or more than 2.55% will be returned to the college/unit for correction.

- Parity should be maintained in the merit increase pools for faculty, unclassified staff and classified staff. There should be no more than a 0.5% difference between the merit pools for these three groups.

- Administrative faculty are included in the calculation of the merit pool for unclassified staff.

- Individuals paid by agency funds or other non-general funds accounts (certain affiliated entities) are governed by the raise guidelines, budget and process as established by the entity's board. Those guidelines do not have to match those of the university but should be reasonably consistent.

- When an employee is funded by a grant that does not have adequate funds to support a merit increase, the college/unit may use its salary increase funds to pay for the increase, subject to the approval of the college/unit.

Individual merit increase amounts should be determined based on the employee’s performance. As a general guide, your unit’s aggregate should be viewed as the appropriate increase for a good/very good performance year.

- Higher increases, recommended for top performers, must be accommodated within the college/unit's overall 2.5% merit pool aggregate.

- Lower or no increases should be given to employees whose performance is less than good/very good.

- Employees who receive a merit increase must be given a minimum of ½ of 1 percent.

- An eligible employee may receive no merit increase if their base pay is commensurate with or exceeds the market or if their performance does not justify an increase.

**Cash Awards**

Colleges/units may make cash awards in addition to or instead of a merit increase to base pay:

- Cash awards may be utilized, in addition to a merit increase to base pay, to reward exceptional achievement, performance on a significant project, or leadership in the unit.

- Where an individual’s salary is above market, a cash award may be given in lieu of a base pay merit increase.

- Cash awards should generally not exceed 5% of the employee’s base pay.

- Cash awards are excluded from the calculation of the aggregate merit pool.

Approval is necessary for cash awards greater than $2,000. Awards exceeding $2,000 must be entered into AMCP with justification provided in the comments box. The HR Compensation team reviews and approves cash awards and communicates approval to the college/unit.
**Counter Offers and Other Additional Increase Amounts**

Faculty counter offers, market adjustments or previously approved contractual agreements with an effective date of September 1, 2019 can be entered into AMCP. Any faculty counter offers that occur between now and September 1, 2019 should follow this same guidance.

Staff counter offers that occur after July 1, 2019 should be entered with an effective date of September 1, 2019 and may be entered as an exception, provided that a minimum of at least 2.5% of the counter offer is included in the unit's merit aggregate pool.

For any counter offer, market adjustment or other increase given at the time of merit increases, at least 2.5% must be provided from the college/unit's merit aggregate pool for the merit portion of the increase.

The non-merit portion of the increase (e.g. counter offer, market adjustment or other non-merit increase) should be entered and coded with the appropriate increase type, which will ensure that the additional amount is excluded from the merit aggregate pool calculation.

**Faculty Promotions**

Central funding is provided for tenure-track faculty promotions in the amount of 6% of the general funds portion of the faculty member’s salary. No funding is provided for faculty who are granted tenure without promotion. Faculty promotions will be entered into AMCP using the increase type of “faculty promotion.”

- The college must provide a merit increase of at least 2.5%.
- The 6% centrally-funded promotional increase is excluded from the calculation of the college’s merit pool aggregate.
- The college may fund an additional amount above the merit increase and centrally funded 6%.
- Example: A college that wishes to provide a 10% promotional increase will receive 6% from OAA; 2.5% will come from the college’s aggregate merit pool, and another 1.5% will be funded by the college outside the merit pool.

**Market and Equity Adjustments**

Colleges and support units are encouraged to use the AMCP process to make salary adjustments based on external market and internal equity considerations. Colleges and units should consider internal salary inequity for employees within the college or unit who are performing similar work under similar working conditions requiring a comparable level of knowledge, skill, or ability. Other relevant factors to be considered include: merit and length of service of the employee; market-based considerations; statutory protected class considerations; and pay compression or inversion in existing pay relationships.

Units should contribute a minimum merit increase of at least 2.5% with the differential processed as a market or equity adjustment. However, units have the flexibility to use a portion (up to 1.25%) of the aggregate merit pool towards a market or equity adjustment with the differential processed using the market or equity increase type.
Requests for market and equity adjustments must be included on the Exception Listing for HR Compensation's review and approval. Requests should include an explanation of the process used to assess equity and how equity was addressed during this AMCP process. Requests will not be accepted outside the AMCP period, between July 1, 2019 and December 31, 2019.

**Reclassifications**

Reclassification requests effective September 1, 2019 may be submitted during AMCP. There will be a freeze on reclassifications effective between July 1 and August 31, 2019. Units may submit a reclassification request during this window; however, if approved, the salary adjustment effective date will be September 1st or later.

**Documentation Required for Zero Increases**

When a college/unit elects to award no increase to an eligible employee, documentation regarding the zero increase must be on file in the college/unit outlining the rationale for why the individual is not receiving a merit increase. Units in the Health System are not required to provide documentation for zero increases; however, it is required for the College of Medicine and Office of Health Sciences.

**Ineligible Listing Submission Deadline July 8, 2019**

HR Compensation will provide each college/unit with a list of employees who are ineligible for AMCP based on their date of hire or last increase or leave status. College/units may add to the list additional employees who are ineligible for a merit increase. The Ineligible Listing should be submitted to OHR Compensation (hrcompensation@osu.edu) by Monday, July 8, 2019.

**Exceptions Requiring Approval: Deadline July 16, 2019**

All exceptions must be submitted to OHR Compensation (hrcompensation@osu.edu) via the AMCP Exception Listing. OHR will collaborate with OAA on the review and approval of staff and faculty exceptions.

**Due Friday, July 16, 2019:**

1. Exception request listing including:
   - Base salary adjustments (PBA) of 10% or greater
   - Base market or equity salary adjustments
   - Reclassifications occurring simultaneously with AMCP
   - Counter offers
2. Salary adjustments (PBA and/or cash) that result in total compensation of over $270,000

All cash awards must be entered into AMCP. They are not required to be included on the exceptions listing. However, justification must be entered into the AMCP comments field. HR Compensation will run the cash awards report and review the comments for those awards over $2,000.
FY2019-2020 AMCP Timeline

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*Note: The calendar includes important dates such as the first monthly and biweekly pay with increases.*