

**DIRECTOR'S OFFICE**

**MEMORANDUM NO. 3**

**DATE: APRIL 2, 2007**

**SUBJECT: FY08 MERIT PAY POLICY**

**FOR SPECIAL ATTENTION OF: All Employees**

**Next Review Date: March 2008**

On March 30<sup>th</sup>, 2007, the Legislature passed the department's FY08 appropriation bill (SB-1240) that includes a 5% (\$4,620,900) personnel cost increase for salaries. This means that the department's FY08 salary and wage budget was increased by 5%--it does not mean each employee receives a 5% increase. Section 7 of the appropriation bill directs agencies to: target high turnover classifications, address advancement of employees below 90% compa-ratio (defined as position in the pay range relative to the policy point or 100%), and provide merit based increases using a merit matrix. It further directs that salary increases be effective June 17, 2007.

The department values its employees and is committed to recognizing performance and achieving competitiveness in the job marketplace. The following pay plan supports that dedication. In line with our commitment, the department will utilize salary savings from the FY 2007 budget to enhance the FY08 pay plan by instituting early implementation of merit raises effective April 8, 2007. The salary increases will appear on the May 4, 2007 pay check.

**STEP ONE: PAY FOR PERFORMANCE MERIT INCREASE**

Performance based merit increases will be distributed according to the merit matrix below. This approach meets the requirements of legislation by providing a larger percentage increase to employees at a lower compa-ratio while also recognizing performance. This value statement is articulated in the state's compensation philosophy contained in Idaho Code 67-5309A.

MERIT PAY MATRIX \*\*

Compa Ratio	Performance			
	Does not Achieve Performance Standards	Achieves Performance Standards	Solid Sustained Performance	Exemplary Performance
113% -- 125%	0.00%	3.0%	3.8%	4.5%
100% -- 112%	0.00%	3.3%	4.1%	5.0%
88% -- 99%	0.00%	3.6%	4.5%	5.4%
75% -- 87%	0.00%	4.0%	5.0%	6.0%

\*\* Matrix subject to change once all performance data is entered into HR system

Eligibility

- All classified employees who have permanent status and a current performance rating on file with at least an Achieves Performance Standards rating as of April 8, 2007.
- Classified employees on entrance or voluntary probation hired on or before April 8, 2007 will receive an increase at a later date, upon successful completion of probation. A performance evaluation must be completed in order to receive the merit increase. The amount of increase will be based on the rating received on the probation completion evaluation, using the above matrix.
- 8-month benefited temporary employees who have at least 6 months cumulative service time in classification and are performing satisfactorily will also receive an increase. The amount of increase will be based on position in the pay range and the Achieves Performance Standards column of the matrix above.
- All non-classified (exempt from DHR Rules) full-time employees who have a current performance rating on file with at least Achieves Performance Standards ratings as of April 8, 2007.

**STEP TWO: TARGETED PAY**

Employees in the following classifications will receive an additional percentage increase to move them **toward closing the gap** of their current compa-ratio and a targeted compa-ratio of either 110% or 115%. The additional increase will be capped at a maximum of the targeted compa-ratio rate, as indicated, to address market competition and recruitment challenges and will be based on performance level achieved. Employees who reach the targeted compa-ratio in Step One above, or those who are already at the targeted compa-ratio, will not receive the additional increase.

- Mechanic 110%
- Welder/Machinist 110%
- Transportation Technician Apprentice 110%
- Transportation Technician 110%
- Engineer-In-Training 115%
- Engineer Associate 115%
- Staff Engineer 115%

The amount of increase will vary depending upon an employee’s placement in the pay range after step one has been provided and the performance rating level. The targeted pay increase will be distributed according to the matrix below:

TARGETED PAY MATRIX \*\*

	Performance			
	Does not Achieve Performance Standards	Achieves Performance Standards	Solid Sustained Performance	Exemplary Performance
EIT, Assoc, & Staff Engineer 75% - 115%	0	25%	35%	45%
Mech, Weld, TT, TTA, 75%-110%	0	25%	35%	45%
Percent move to close the gap between rate after Performance raises and target rate of 110% or 115%				

\*\* Matrix subject to change once all performance data is entered into the HR system.

Eligibility for Targeted Pay

- All classified employees in the job classifications listed above who have permanent status and who have a current performance rating on file with at least an Achieves Performance Standards rating as of April 8, 2007 are eligible.
- Employees in the listed job classifications who remain below 110% or 115% of their pay range after receiving a merit increase in step one.

#### **OTHER SPECIAL PAY CONSIDERATIONS**

In the event that, as a result of targeted pay actions, a supervisor's pay rate is less than 5% above an employee they supervise, a pay adjustment to the supervisor's pay rate will be made to correct the pay compression provided the supervisor has at least an Achieves Performance Standards rating on file as of April 8, 2007.

Employees whose pay grade was lowered as a result of the new pay schedule adopted by State of Idaho in FY2006, and who, as a result, are not eligible for the entire pay increase, will be considered for pay adjustment after DHR re-adjusts their pay grade assignment. Employees must have at least an Achieves Performance Standards rating on file as of the date their pay grade is adjusted in order to be considered for a pay adjustment.

Any other exceptions to this policy will be reviewed by Human Resources and approved by the Director.

Human Resource Services will issue any guidance memos necessary to process the merit increases. All other provisions of the Department salary administration policy as outlined in the Human Resource Manual will remain in effect.

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PAMELA K. LOWE, P.E.  
Director