

COMMITTEE MEMORANDUM

TO: Human Resources Committee Members, Board of Regents

FROM: Marcia R. Brunson

DATE: April 20, 2005

SUBJ: University of Iowa Flex Pay Proposal

Recommended Action:

Review and recommend approval of the flexible pay proposal for professional and scientific staff at the University of Iowa for a one-year pilot program.

Executive Summary:

Study team appointed	The University of Iowa in an effort to recognize nonorganized professional and scientific employees for outstanding performance appointed a team to study the university's current compensation practices and identify possible ways to recognize staff outside of existing practices.
Existing Practices	<p>Currently two campus-wide practices exist at the University to reward employees for outstanding performance:</p> <ul style="list-style-type: none"> • July 1 salary increases that are above a predetermined percentage (8% for the past three years) must be documented and approved by University Human Resources. • Employees at the maximum of the salary range are eligible for up to 5% lump sum payment for documented outstanding performance.
Flexible Pay Program	<p>The University is proposing that regular nonorganized P&S staff would be eligible to receive flexible pay under the proposed program. The proposal is detailed in Attachment A. The following is a summary of the proposed program:</p> <ul style="list-style-type: none"> • Award eligible employees lump sum payments for extra meritorious performance such as project completion, sustained above average performance and revenue generation.

- Up-to-date performance evaluation required.
- Awards would not be added to base salary.
- Awards would not exceed 10% of base salary per year.
- Awards may be made at any time throughout the year.
- Eligible employees may receive up to two awards during a year.

Research	<p>Research has shown that flexible pay programs effectively motivate employees and create the belief that excellent performance can lead to high pay, encourage or promote collaborative communication and emphasize individual contributions.</p> <p>While such programs are quite prevalent in the private sector, they do exist in the public sector. Common features of flexible pay in the public sector include:</p> <ul style="list-style-type: none"> • Payment to individuals based upon individual performance • Payment on top of base pay (lump sum) • Agency imposed limits on individual award values • Limited managerial discretion to vary individual awards • Awareness of public perception
Options at Big Ten Institutions	<p>The University obtained information on flexible pay options at other Big Ten institutions. All other Big Ten institutions have a monetary reward program in place or are researching the possibility of implementing a program. The programs vary greatly; however, a common theme is that the monetary reward is in the form of a lump sum payment not added to the base salary. All programs are funded at the unit level rather than by central administration. These options are summarized in Attachment B.</p>
Interinstitutional consultation	<p>This proposal was reviewed by both Iowa State University and the University of Northern Iowa. While they indicated they would not pursue such a program at their institutions, they were not opposed to the University of Iowa going forward.</p>
Regent Merit System	<p>Nonorganized employees in the Regent Merit System are eligible to receive “pay for exceptional performance”. The merit rules allow for a lump sum award not to exceed 5% of base salary for exceptional job performance.</p>
Pilot program	<p>It is recommended that the Flex Pay Program be approved for a one-year period and that committee be provided with a report of awards made under the program after the close of FY 2006. The report should include names of recipients, amounts of awards, and rationales for the awards.</p>

**UNIVERSITY OF IOWA
FLEXIBLE PAY PROPOSAL**

1. All regular, non-organized P&S employees would be eligible for flexible pay.
2. Flexible pay shall be awarded for extra-meritorious performance that may include rewarding a variety of outcomes and behaviors e.g., project completion, sustained above average performance and revenue generation etc.
3. To operationalize a flexible pay program, colleges and major administrative units will be required to develop Flexible Pay Guidelines that must be reviewed and approved by University Human Resources. The guidelines must reflect the components of the University's Flexible Pay Policy as described herein, but may adopt more stringent guidelines. However, they may not exceed the maximum guidelines related to amount nor frequency.
4. No flexible pay awards will be approved unless guidelines have been developed and approved. A copy of the guidelines will be kept on file in University Human Resources.
5. An employee must have been employed at the University of Iowa in a regular position for six months to be eligible for flexible pay.
6. An employee must have a current (Within past 12 months), above average performance evaluation on file to be eligible for flexible pay.
7. An employee must have received at least the average July 1st salary increase for the College or major Administrative Unit to be eligible for flexible pay, barring extenuating circumstances that must be documented.
8. Flexible pay will be awarded in the form of a lump sum payment that is not added to the base salary.
9. Flexible pay can be awarded at any time during the year.
10. An employee may receive up to 10% of their salary in flexible pay per calendar year. If the recommended award for any single award is over \$5000.00, the recommendation must be reviewed and approved by University Compensation and Classification. If a second recommendation for the same employee is received in the same calendar year, and the cumulative amount is over \$5000.00 it must be reviewed and approved by University Compensation and Classification.
11. All flexible pay awards must be approved at the Organizational level.
12. An employee may receive a flexible pay award a maximum of two times per year with the exception of de minimus awards as follows:
 - Flexible pay awards of \$75.00 or less (de minimus awards) may be awarded as many times as Colleges and major administrative units determine necessary.
13. Departments will be responsible for funding flexible pay awards.

Attachment B

UNIVERSITY	EMPLOYEE (S) COVERED	TYPE OF PAYMENT	AWARD	APPROVED BY	AMOUNT OF PAYMENT
INDIANA UNIVERSITY	STAFF	LUMP SUM PAYMENT/INCENTIVE PLAN (BONUS AWARDS)	STAFF ACHIEVEMENT AND WORK PERFORMANCE	APPROVAL BY HUMAN RESOURCE OFFICE	SHALL NOT EXCEED \$2500 OR 10% OF BASE SALARY
MICHIGAN STATE	CTU,APSA, APA AND NON-UNION GROUPS	LUMP SUM PAYMENT, MAY BE ADDED TO BASE SALARY	PERFORMANCE AWARDS	HUMAN RESOURCES (COMPENSATION) AFTER APPROVAL FROM MAJOR OPERATIONAL UNIT	AWARDS- NO MORE THAN 1 X/YR AND LESS THAN OR EQUAL TO 5%
NORTHWESTERN UNIVERSITY	NO POLICY IN PLACE	N/A	N/A	N/A	N/A
OHIO STATE	FACULTY AND STAFF	ONE TIME CASH OR NON-CASH AWARD	PERFORMANCE AWARDS	CHAIR OR MANAGER DEAN OR VICE PRESIDENT	UP TO \$100 \$101 TO \$1000 AND ABOVE
PENN STATE UNIVERSITY	NO POLICY IN PLACE	N/A	N/A	N/A	N/A
PURDUE	NO POLICY IN PLACE	N/A	N/A	N/A	N/A
UNIVERSITY OF CHICAGO	ALL EMPLOYEES	LUMP SUM PAYMENT	EXCEPTIONAL PERFORMANCE (BONUS) OR ONE TIME PROJECTS	HUMAN RESOURCE MANAGEMENT	AMOUNT UP TO \$1500. (IF x>\$1500 THEN H.R. APPROVAL IS NEEDED)
UNIVERSITY OF ILLINOIS	ALL EMPLOYEES	CASH PAYMENTS	ACHIEVEMENT AWARDS	SENIOR ASSOCIATE VICE PRESIDENT FOR BUSINESS AND FINANCE	MAX. \$1600
UNIVERSITY OF MICHIGAN	FACULTY AND STAFF	LUMP SUM PAYMENT, ADDED TO BASE SALARY OR BOTH	PERFORMANCE AWARDS	EXEC OFFICER, DEAN or DIRECTOR OF MAJOR OPERATIONAL UNIT	NOT INDICATED
UNIVERSITY OF MINNESOTA	STAFF	NOT SPECIFIED	OUTSTANDING SERVICE AWARD	CHANCELLOR	UP TO \$2500
WISCONSIN	ALL EMPLOYEES	ONE TIME PAYMENT	MERIT-GIFT AWARD	CHANCELLOR OR VICE PRESIDENT OF BUSINESS/FINANCE	(SHOULD NOT EXCEED \$100) IF IT EXCEEDS \$500 THEN APPROVAL FROM V.P. IS NECESSARY