

## Frequently Asked Question – Pay for Performance Initiative

### **1. Why has the County switched to a pay for performance (P4P) based compensation system?**

- a. The County wished to reward its employees commensurate to their contribution to cost efficient government and customer service; i.e., productivity. Under the previous system, all salary adjustments were the same regardless of how well or how poorly employees performed. This was patently unfair to those employees who put in the effort to produce superior results. Under the old system, there was no financial incentive to do more than the minimum. The failure to link compensation adjustments to productivity led to pressure on the budget by increasing personnel costs without corresponding improvements in efficiency. With compensation adjustments tied to individual performance evaluations linked to Department goals, which are in turn linked to County goals, incentives are now in place to optimize the chances that County objectives are achieved. Under pay for performance, a rating of acceptable/satisfactory will require an employee to perform all required duties up to standard. This is a good rating for which the employee will receive an award. Those who go above and beyond will receive additional awards according to the scale developed by the County.

### **2. What will determine the absolute amount of awards under Pay for Performance?**

- a. The amount of the award an individual will receive is determined by 4 factors:
  - i. The person's rating
  - ii. How many people qualify for an award
  - iii. The distribution of ratings across all possible award categories
  - iv. The total funding the County provides for compensation adjustments (pool) minus the cost of any COLA approved by the Board of Commissioners.

Barring unforeseen circumstances, an employee who earns a satisfactory/acceptable rating should expect a total adjustment (COLA plus P4P award) that keeps pace with the rate of inflation and other local factors.

### **3. Will there be Cost of Living Adjustments (COLA) under Pay for Performance?**

- a. Yes. COLAs are necessary to keep our salary structure in alignment with market conditions so the County can remain competitive in recruiting and retaining qualified personnel. COLAs would be given to all eligible non-bargaining unit personnel. However, COLAs will likely range between 0.5% to 1.0%. With finite funding for compensation adjustments, as much as possible should be devoted to the merit-based incentive component.

### **4. How is the "pool" of money for pay for performance determined?**

- a. This has been identified as a specific strategic line item that will be addressed during each year's budget process. Depending on the availability of funds, which is determined by the County's overall financial situation, the amount of funding – and thereby award amounts for any given rating - may vary from year to year. Barring unforeseen circumstances, continued success in increasing productivity and achieving cost savings is the best means to ensure ongoing adequate funding for P4P. This is an extension of the

County's adoption of a gainsharing approach to compensation whereby portions of the savings achieved by staff are reinvested in staff.

**5. In regards to the Pay for Performance initiative, what determines the difference between a one-time bonus and an increase to an employee's base salary?**

- a. The split between lump sum payment and increase to base salary is determined by where the employee falls in their respective DBM pay range as noted in the table below.

Salary Placement in Pay Range	% of Payout Distributed to Base Salary Adjustment	% of Payout Distributed as a lump sum payment
1 <sup>st</sup> Quartile	75%	25%
2 <sup>nd</sup> Quartile	60%	40%
3 <sup>rd</sup> Quartile	50%	50%
4 <sup>th</sup> Quartile	25%	75%
Max	0%	100%

**6. How does a one-time pay for performance bonus factor into retirement?**

- a. Lump sum payments are classified as wages under the pension plan; therefore they will be included in pension calculations.

**7. What are the overall ratings for the Pay for Performance Initiative and how do they factor into the amount of money that could be received by employees?**

- a. The table below illustrates how the summary rating relates to the overall rating. A higher overall summary rating will result in a greater salary adjustment.

Overall Rating Level	Overall Summary Rating	Description
Far Exceeds Expectations	4.6-5.0	Performance significantly exceeded expectations in quantity, quality, or timeliness and/or was achieved despite significant obstacles to such an extent as to show exceptionally positive impact on the achievement of County and/or Department goals.
Exceeds Expectations	3.6-4.5	Performance consistently exceeded expectations in quantity, quality, or timeliness and/or was achieved despite moderate challenges outside of the Employee's control to such an extent as to show positive impact on the achievement of County and/or Departmental goals.
Meets Expectations	2.6-3.5	Performance consistently demonstrated achievement of or substantial progress towards expectations. Performance had a positive impact on the achievement of County and/or Departmental goals.
Needs Improvement	1.6-2.5	Performance failed to consistently meet expectations. Performance had a minimal impact

		on the achievement of County and/or Departmental goals. As a result, the Employee must be placed on a Corrective Action Plan.
Fails to Meet Expectations	1.5 or less	Performance significantly failed to meet expectations to such an extent that it resulted in negative consequences for the County and/or Department. As a result, the Employee must be placed on a Corrective Action Plan.

**8. If you get a poor performance rating one year, does it automatically carry over to the next year?**

- a. No. Performance evaluations will be completed on an annual basis and will be used to determine the following year's salary adjustment. Superior performance a subsequent year will determine the following year's salary adjustment.

**9. How will the ratings be compared across the County?**

- a. There will be a norming process consisting of all Department Heads/Elected Officials. The norming process is designed to place employee evaluations on a level playing field and to normalize ratings between raters. In addition, Human Resources will be offering mandatory rater consistency training for in the fall of 2015 for all supervisors and managers responsible for completing these evaluations.

**10. How will the gainsharing program work with pay for performance?**

- a. The pay for performance program will require the County to reexamine how the gain sharing program is designed. Gain sharing is a valuable and useful tool to identify and promote efficiencies where possible and is something the County wants to continue. Administrative changes will need to be considered by the Gain Sharing Governance Committee in light of the new classification and Pay for Performance Initiative.

**11. Is the pay for performance budget based on individual department/agency or county-wide?**

- a. County-wide.

**12. What happens if everyone meets their performance goals? Is there enough money to reward everyone?**

- a. Employees that receive an overall summary rating on their performance plan of 2.6 or greater will receive a salary adjustment. The amount of the adjustment will vary depending upon the amount budgeted for salary adjustments and the overall summary ratings of all employees.

**13. Who evaluates employees under pay for performance?**

- a. Employees will be evaluated by their supervisor.

**14. When will pay for performance evaluations and adjustments happen?**

- a. Evaluations must be completed no later than January 31, 2016. The norming session will occur and ratings will be finalized no later than February 21, 2016. Pay adjustments will be retroactive to January 1, 2016.