



EXECUTIVE VICE PRESIDENT AND PROVOST

To: Vice Presidents, Deans, and Department Chairs

From: Barbara R. Snyder *Barbara*  
Executive Vice President and Provost

Date: July 7, 2006

Subject: Fiscal Year 2007 Compensation Guidance

The memorandum provides FY07 Salary Budget Guidance.

Key Changes for This Year

1. Salary increases for biweekly paid staff will be effective on October 1, 2006, rather than mid-September, given that we just completed a year with 27 pay periods.
2. Colleges and vice presidential units are required to document the criteria and process for salary increases and make that document available to faculty and staff by October 1, 2006 (unless an extension is approved related to faculty/staff governance process). A draft of the document or an update of your progress should be sent to your OHRC Consultant by August 28, 2006, with the final product being shared with all faculty and staff by October 1, 2006.

*NOTE: The bargaining units and the Health System are not included in this Compensation Guidance; the College of Law is on a separate semester schedule.*

Academic Plan Priorities and the Competitive Compensation Initiative

Attracting and retaining a talented university work force is a key university priority in the Academic Plan. Although we are experiencing another challenging budget year, we must maintain our focus on achieving our compensation goals and meeting the implied commitments of the Competitive Compensation Initiative. As such, we ask units to plan for budgets which will continue to make progress as measured in relationship to our benchmark institutions.

Performance Culture

As the university's compensation philosophy provides a market-based, performance-driven framework for compensation, all recommended increases must be based on performance, market and/or equity considerations. There are no minimum or across-the-board increases. The compensation process should be utilized to inspire achievement and to reinforce performance and accountability.

Transparency

As a collective leadership we aspire for a high level of transparency in all decision processes. Transparency is particularly important in compensation planning, where the compensation increase criteria should be documented, available, and aligned with the goals of the unit. Principles associated with compensation should be discussed in a time frame relevant to the compensation decision. For example, if the college administers a portion of the compensation, the criteria for distribution of that allocation should be appropriately available so that faculty and staff members understand the potential compensation adjustment from that source of funding.

Questions regarding this process should be addressed to Tom Bond, Compensation Manager, Office of Human Resources at [bond.5@osu.edu](mailto:bond.5@osu.edu) and copied to Vice Provost Matt Platz at [platz.1@osu.edu](mailto:platz.1@osu.edu).

Attachment

c: Karen Holbrook  
Tom Bond  
Laura Gast  
Larry Lewellen  
Matt Platz  
Mike Sherman  
Bill Shkurti  
Chair, Faculty Compensation and Benefits Committee  
Co-Chairs, Staff Compensation & Benefits Committee  
Organization and Human Resource Consulting  
OHR Payroll  
Senior HR/Fiscal Officers

**The Ohio State University**  
**Offices of Academic Affairs and Human Resources**  
**Fiscal Year 2007 Compensation Guidance**

- A. Colleges and administrative units have been approved to provide a 3.0 percent to 4.0 percent aggregate percent increase. Colleges/units are encouraged to make efforts to meet or exceed our compensation initiative goals by exceeding the average external market increase. Each Dean/Vice President who anticipates an aggregate percent of increase more than 4.0 percent or less than 3.0 percent must seek written approval from Academic Affairs no later than **August 7, 2006**. Summary compensation data will be posted at the Office of Human Resources website <http://hr.osu.edu/> for each college/unit, after the process is finalized.
- B. The aggregate percentage of increase for faculty, unclassified, and classified staff must remain separate. Each Dean/Vice President who anticipates differentiation greater than 0.5 percent among of these groups must seek written approval from Academic Affairs no later than **August 7, 2006**.

Salary increases for vice presidents and deans should, on average, be consistent with this guidance memorandum. Salary increases for faculty promotions, counter-offers, and other related actions are not included in the aggregate calculations.

Within colleges or administrative units, departmental aggregate percentage of increase may be differentiated, but department aggregate increases below the discipline's average anticipated external market increase for FY06 must be approved.

- C. For faculty funded by general funds, faculty promotions of 6 percent are funded centrally and already reflected in the human resources information system. During the SLDP process, each promoted faculty member must receive at least the aggregate percentage merit increase in addition to the promotional increase.
- D. All 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. Colleges/units may make recent hires ineligible if covered in an offer letter or unit policy or other communication that the hiring salary is intended to remain constant until FY07 or some other planned salary review period.

Colleges/units may determine that individuals who are resigning, retiring, being laid-off, or on severance are ineligible.

- E. Colleges and/or departments must develop guideline documentation for annual increases and make this available to individual faculty and staff. This documentation will be required to be available as of October 1, 2006 (unless an extension is approved related to faculty/staff governance process). A draft of the document or an update of your progress should be sent to your OHRC Consultant by August 28, 2006, with the final product being shared with all faculty and staff by October 1, 2006.

*[E. Guideline Documentation—continued]*

As the university's compensation philosophy provides a market-based, performance-driven framework for compensation, all recommended increases must be based on performance, market and/or equity considerations.

The college/department compensation increase process should prevent salary disparity or take action to correct disparity where it may exist. Salary disparity exists when the difference in salaries between higher-paid and lower-paid individuals is greater than justified by differences in market value and performance. Distributing raises in dollar increments rather than on a percentage basis is one method available to reduce the growth of salary disparity; another is to write guidelines which slow the growth of salaries for those above market, and increase the growth of salaries for those below market, with performance being equal.

- F. A list of individuals receiving no increase due to performance or market position must be submitted to the Office of Human Resources by **August 28, 2006**. A brief rationale for each individual must be included on the list. Approval of the list is not required.

All raises exceeding 10 percent (not including promotions) must be approved and are also to be submitted to the Office of Human Resources with brief rationale by **August 28, 2006**.

- G. Returning graduate associates with equivalent appointments are also considered to be participating in the Compensation Initiative. Those who are performing well should receive compensation increases consistent with the average increase in the aggregate percent of increase. Significant strides have been made this year in the form of an 80 percent healthcare benefits subsidy for graduate associates and an 80 percent healthcare benefits subsidy for their dependents. Colleges/units should not reduce graduate associate compensation to compensate for the increased cost of benefits.
- H. 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.
- I. 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.
- J. Colleges/units are encouraged to make additional one-time cash payments to a limited number of faculty and staff to reinforce outstanding performance and to retain individuals whose salaries are most significantly behind market. During the FY 2006 annual increase process, colleges/units have the latitude (without central approval) to provide one-time cash

*[J. One-Time Cash Payments—continued]*

payments of up to \$2,500 or 5 percent of an individual's annual base rate, whichever is greater. Prior approval is required for any individual receiving one-time cash in excess of this amount. Cash payments that are provided after this annual increase process should be administered according to Policy 3.15 Reward and Recognition. If cash payments are planned, discussion of one-time payments must be included in the college/unit guidance document made available to faculty and staff.

<b>SUMMARY OF NECESSARY APPROVALS</b>		
<b>Approval Needed</b>	<b>Deadline</b>	<b>Where to submit</b>
Aggregate differentiation >.5% (Faculty/ Classified/ Unclassified)	August 7, 2006	Academic Affairs – Barbara Snyder, copy to Matt Platz
Aggregate >4.0% or <3.0%	August 7, 2006	Academic Affairs – Barbara Snyder, copy to Matt Platz
Merit Increases >10%	August 28, 2006	OHR – OHRC Consultant, copy to Matt Platz
No or 0% Merit Increases listing of names (approval not required)	August 28, 2006	OHR – OHRC Consultant, copy to Matt Platz
Cash bonuses in excess of the \$2,500.00 or 5% (whichever is greater)	August 28, 2005	OHR – OHRC Consultant, copy to Matt Platz