Compensation Strategy

The School Board and Board of Supervisors approved a Total Compensation Strategy to target employee salaries at the median of an adopted market and benefits slightly above market levels in 2000 (this was later revised to target teacher salaries at 75^{th} percentile instead of median). To maintain competitive compensation based on the adopted strategy, two separate but related actions are required:

1) Ensure we have competitive salary scales so that the County/School Division is able to attract and recruit new employees.

2) Ensure current employees are rewarded for job performance by maintaining internal equity in their pay range, as well as maintaining market competitiveness for similar skills through granting competitive salary increases.

To adhere to the Boards' adopted strategy, we implement the following processes each year:

1) Annually survey the adopted market to determine the salary <u>scale adjustment</u> implemented in those localities/schools for the current fiscal year.
2) Annually survey the adopted market to determine the average <u>total salary increase</u> granted employees in those localities/schools for the current fiscal year.
3) This market data is analyzed to ascertain where the salary scales and increases (both classified employee and teacher) for Albemarle County stand relative to the adopted market.
4) Obtain data on what other organizations are projecting for salary increases for the next fiscal year through a compensation database (WorldatWork, Eastern Region). This data is used to project the merit increase percentage and develop the teacher scale, including step increases.

Step 1: FY 2016-17. Survey the market to determine if the <u>scale adjustment</u> implemented for classified/administrator and teacher pay scales achieved the strategy.

<u>Classified/Administrator - Target median of adopted market</u>

A competitive scale is important in attracting new hires. For classified employees, the scale adjustment impacts new hires and any employees with pay rates that might fall below the new minimums. The Classified/Administrator Pay Scale has been increased only one time since FY 2008-09, and that 1% increase was in part due to the VRS mandate.

Step 2: FY 2015-16. Survey the market to determine if the <u>total salary increase</u> implemented achieved the strategy.

<u>Classified/Administrative Salary Increases - Target median of adopted market</u>

Classified/Administrative staff received an average salary increase of 3.00% (2.3% plus 0.7% for performance differentials) effective October 1, 2015 (delayed from normal July 1^{st} date). We were previously below market by 1.00%, and our adopted market median increased by 2.00%, so this brings us to exactly our market target.

Teacher Scale Adjustments - Target top quartile (75th percentile) of adopted market

We applied an average of 2.00% increase to the Teacher Scale. 2015-16 market data indicates that we remain in the top quartile for all steps.

Step 3: Projections for FY 2016-17. Based on current market position and scale/salary projections, determine the changes necessary to achieve the Boards' jointly-approved strategy using the WorldatWork, Eastern Region data.

Classified/Administrator Scale Adjustments

- The scale adjustment impacts new hires and any employees with pay rates below the new minimums. The FY 2016-17 scale adjustment will be developed based on the Board approved salary increase percent. The scale adjustment percentage will be less than the salary increase percentage; this methodology minimizes compression of employee salaries.

Classified/Administrator Salary Increase

- Albemarle Salary Increase Relative to Market: Meets 2015-16 targets.
- WorldatWork projections for Eastern Region (including Virginia): 2.7%.
- **FY 2016-17 proposed salary increase: 2.7%. (**2% base & 0.7% performance differential)

Teacher Scale and Teacher Average Salary Increase

- Albemarle Teacher Scale Relative to Market: Meets 2015-16 targets.
- Teacher scale - based on the projected total increase from WorldatWork: 2.7%
- **FY 2016-17 proposed scale and step increase: 2.7%, to include the step increase.**

WorldatWork Projections Compared to Adopted Market

As the information below illustrates, the WorldatWork projections have been an imperfect indicator for our own market projections since FY2009-10. That said, the continued recovery of our economy has improved the compatibility of this projection relative to the Commonwealth's local governments and school divisions for the past three years.

Source	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13	2013/14	2014/15	2015/16
Worldat-Work Projection	3.65%	4.00%	3.30%	2.25%	1.95%	3.00%	2.85%	2.75%	2.7%
Adopted Market Median Increase	4.00%	3.63%	0%	0%	1.00%	0.70%	2.00%	2.00%	2.00%

Pay for performance system.
We have only offered performance-based increases twice in the last seven years due to available funds. Continuing our pay for performance increase will help us to regain our salary position relative to our adopted market, address continuing salary compression issues, and encourage excellence in public service.

Other considerations:

Teacher Longevity Stipends
The market does apply value to teachers that exceed the typical career teaching scale, usually provided in the form of an annual stipend. Albemarle County Schools provides a stipend of $200 for each year beyond the end of the teacher scale. As in previous years, our stipend is consistent with our market strategy and within market ranges.

Lump Sum Increases for Employees at or Near Pay Grade Maximum
Albemarle County wishes to reward excellence in performance for all classified/administrative employees. An important tool in accomplishing this is the ability to provide a salary increase to include those who are at or near the maximum of their respective pay grade without jeopardizing the integrity of our pay scales. To that end, and as with past practice, a lump-sum increase for these affected employees will be provided.

Compression
After several years of limited salary and scale increases, we are experiencing pay compression among some of our classified/administrative employees. We have retained Titan-Gallagher, an experienced compensation and human resources consulting firm, to assist us in developing solutions for pay compression. A summary of the study is included as Attachment 4.