Annual Increase Guidelines

The purpose of the merit pool is not to give each employee the same increase or a cost of living increase. It’s instead intended to reward performance and retain employees while still managing your salary budget. There are several factors to consider when awarding merit increases.

**Performance:** There’s a reason performance is first here; it’s the most important factor when determining salary increases. It’s what you measure daily, and it’s the information you use to write annual reviews. That said, paying for performance is more than just a feeling about how each employee is doing. A few ways to closely examine performance:

**Job Duties:** Did the employee have a big project or accomplishment during the review period? If so, that’s a piece to take into account when awarding a larger than average increase. If this was a one-time project, you may want to consider a standard increase accompanied by another meaningful reward.

**Individual and team performance:** When looking at performance, it’s important to review both the individual performance and contributions to the team that each employee makes. Ask yourself a few questions:

- Are standards met? Be honest, and don’t gloss over performance challenges.
- Are team and individual goals being met?
- How does this year compare to last year for this employee? Everyone should be continually seeking to improve from year to year; there’s no top limit for any position. If there were performance gaps in the past, have they been corrected?

**Ranking your talent:** You need to find a way to differentiate between employees and provide a meaningful way to reward your top performers. Identifying and segmenting top, average and low performers takes work, but the results are worth it.
Annual Increase Guidelines cont.

Determining Annual Increases

As mentioned before, performance should be high on the priority list when determining an employee’s annual increase. The following chart provides some general guidelines. For high performers, you have the freedom to assign an increase you feel is justified by the level of performance, responsibilities, and success within the current position. Remember: the salary adjustment grid is provided as a guide - not a strict mandate - for administering salary increases.

It is important that managers maintain accountability to the salary budget and keep merit increases within the allotted 2.5% pool amount.

The table below includes a recommended breakdown of how to administer allotted pool amount.

<table>
<thead>
<tr>
<th>Performance Level</th>
<th>Recommended Adjustment</th>
</tr>
</thead>
<tbody>
<tr>
<td>5 - Far Exceeds</td>
<td>2.5 - 3.5%</td>
</tr>
<tr>
<td>4 - Exceeds</td>
<td>2.0 - 2.5%</td>
</tr>
<tr>
<td>3 - Accomplished/Meets</td>
<td>1.5 - 2.0%</td>
</tr>
<tr>
<td>2 - Inconsistent</td>
<td>0%</td>
</tr>
<tr>
<td>1 - Fails To Meet</td>
<td>0%</td>
</tr>
</tbody>
</table>

Those receiving a 1 or a 2 on any section of their annual evaluation will not be eligible for a merit increase. That information will be entered into the budget module.

Please remember the following:

The 2019 Legislative Assembly, in 2019 Senate Bill 2015, Section 16, provided funding for general salary increases for the 20-21 fiscal year as follows:

- “FY21 increases averaging 2.5% subject to satisfactory employee performance and availability of funds.
- “Increases are not to be the same percentage increase for each employee, except for minimum and maximum amounts.” Note that minimum and maximum amounts do not apply in FY20-21.
- A key concept is that the 2.5% merit pool does not mean that 2.5% = average performance. It only means that we take 2.5% of the salary of the budgeted single occupant positions to calculate the total pool of dollars which can be distributed for merit.