



Office of the President

March 16, 2009

Debbie Johnson
Assistant Vice Chancellor of Human Resources
Tennessee Board of Regents
1415 Murfreesboro Road, Suite 350
Nashville, TN 37217-2833

Dear Ms. Johnson:

Attached is the Austin Peay State University compensation plan methodology for your review. This methodology was shaped by campus committees and the counsel of consultants from the Centre Group of Memphis.

Please contact Dr. Ted Heidloff, Director of Human Resources, should you have questions concerning the methodology.

Sincerely,

A handwritten signature in black ink that reads 'Tim Hall'.

Timothy Hall
President

copy: Mitch Robinson, Vice President for Finance and Administration
Ted Heidloff, Director of Human Resources

Austin Peay State University
Salary Study Methodology
March 2009

Beginning in the fall of 2008, Austin Peay State University engaged The Centre Group to conduct a compensation study covering all positions at the University. The scope of the study includes analysis of benchmark positions to determine salary parity with the market at the 100% level, a review of salary range structures, consideration of and a recommendation regarding titling and classification inconsistencies, recommendation of a process for resolving any pay inequities that are revealed in the study, development of performance appraisal instrumentation for Support, Professional and Administrative job groups, a proposal for allocating merit pay, and the introduction of a process for maintaining the system at a market-comparable level into the future.

Process

The study involves a committee representing the major departments within the University. Committee members are expected to attend meetings, represent the interests of their respective areas, and maintain an objective perspective of the nature and purpose of the project; always keeping the best interests of the University and the whole workforce in mind. The committee is responsible for reviewing all work in progress, drawing conclusions and making recommendations. Appendix A identifies the committee members.

History

A previous study was conducted by an internal University committee in 2002. This study was comprehensive and introduced formulae for calculating starting pay and pay progression for all Clerical/Support, Administrative, Professional/Coaching, and Faculty personnel. The study committee identified a peer group of 76 institutions to represent the market for Administrative, Professional, and Faculty. The University has continued to monitor its equity gap, the pay-to-market relationships, and manage starting salaries for new employees to minimize pay compression issues. Historically, greater emphasis has been placed on internal pay equity than on market comparability. Consequently, by policy, starting salaries have been discounted by nearly 11%, making it difficult to attract new talent into the University.

Internal Relationships (Job Evaluation)

For Support positions, the University follows the guidelines from TBR covering skill levels and titling. To analyze Support positions, the University uses the non-exempt job evaluation system that has been widely used among TBR institutions. There is no issue with this methodology; however, the market analysis reveals that the skill levels for some positions lag the market, and that the "Secretarial" classification does not appropriately represent the scope of many Clerical/Support positions. An alternative job family structure for these positions is being recommended.

For Professional/Coaching and Administrative positions, the University has relied on market pricing to set salary ranges. This is a perfectly valid approach, however, significant interpretation is often required when analyzing blended or hybrid jobs that

are unique to the University. To help objectively determine the relative value of these unique Professional positions, this study is recommending the application of the Mercer job evaluation methodology that has been used at the Board and at a number of TBR campuses. Used together, job evaluation and market pricing, greater confidence in the assigned salary range can be achieved. Salary ranges for Administrative and Coaching positions will continue to be established through market-pricing.

As with most institutions, the "Director" title has been widely used. At the University, there are "Directors" at nine levels. This study proposes a titling protocol to differentiate the scope and authority of these positions.

Faculty pay is determined by rank, degree, discipline, and relevant experience. This study proposes establishing market-equitable pay ranges for faculty members based on rank and discipline, which is the way CUPA reports faculty compensation for four-year institutions. A person's targeted pay within the assigned range will be a function of experience with the University. An individual's degree and total relevant experience will be considered when determining a new faculty member's starting salary, but not again later, when calculating market parity (targeted pay) levels.

Salary Range Structures

The University uses a wage/salary grade structure for Support and Faculty positions. However, for Professional/Coaches and Administrative, each job has a pay range built around the market average for the position. This study proposes introducing salary range structure(s) for all employee groups.

A new salary structure is being proposed for Faculty. Going forward, a Faculty member's salary range will be a function of his/her rank and discipline as described in the four-digit CIP code definitions and market average pay by rank. An individual's degree and/or total relevant experience will not be included in determining market pay, but will instead be considered when determining starting salary.

Compensation Market Analysis

A variety of sources were used for market comparable purposes. These included:

- Custom CUPA survey reports on faculty compensation including the same 76 institutions as were used in the 2002 study. (See Appendix B for the names of institutions that were submitted to CUPA for inclusion.)
- CUPA Administrative Compensation and Mid-Level reports covering the same institutions.
- Custom survey of OVC coaches
- CUPA 2007-08 Administrative Compensation Report
- CUPA 2007-08 Mid-Level Compensation Report
- CUPA 2007-08 National Faculty Community College Faculty Salary Survey
- TBR report of average faculty compensation, by rank, for four-year institutions
- Economic Research Institute (ERI)
 - Salary Assessor
 - Executive Compensation Assessor
- CompAnalyst

- PayScale
- BLS National Compensation Survey

All market data have been aged by 4.0% to make them current as of 1/1/2009. The aging factor (4.0%) is consistent with the amount of average pay increase in higher education between 2007 and 2008 reported by CUPA. All jobs are priced at the mean level.

The comparative market for Support positions is the immediate geographic proximity to Austin Peay University.

For Professional positions, the market is defined as regional; meaning the southeastern United States.

For Coaches, the defined market is Ohio Valley Conference schools, plus the same market reports as Administrative and/or Professional.

For Administrative and Faculty positions, the market is regional to national in scope.

Living Wage

In the course of the project, the Committee discussed and agreed to include the concept of Living Wage in the study recommendations. In principle, this says that the University wishes to be perceived as a good corporate citizen in the community and, as much as possible, an employer of choice. Consequently, the University wishes to establish a minimum "Living Wage" rate for Support employees of \$10.00 per hour. No regular, full or part-time, Support employee will be paid less than \$10.00 per hour. This concept is quite similar to the University's already established practice of paying a minimum of \$29,000 per year to Professional employees. The total, incremental cost of setting a \$10.00 per hour Living Wage minimum is approximately \$17,000.

Results of Market Analysis

In the market analysis, the consultants attempted to match every position. For Support, matches were found covering 91% of the employees; for Professional/Coaches, 77.3% of the employees; for Administrative, 100% of the employees were matched; and for Faculty, 100% were matched.

Analysis for Support positions revealed the current pay structure is 5.6% behind the market and that actual average straight-time pay is 5.1% behind the market as of 1/1/2009.

For Professional positions, there is no salary range structure since each job has its own market point. Current actual pay lags the market by 14.5%.

For Coaches, current average salaries lag the market by 14.2%.

For Administrative personnel, current salaries lag the market by 22.1%

For Faculty, current salaries lag the market by 15.9%.

In all cases, since the calculations are based on actual, incumbent compensation, any changes in personnel between the time of the calculations and the time of implementation will have a minor affect on the reported percentages.

Salary Range Structure

All of the University's salary range structures reflect 100% market parity as of 1/1/2009.

Market Parity Pay Differentials

First of all, a market parity differential is the amount by which an incumbent's current salary or straight-time wage is less than his/her targeted compensation. Targeted compensation is a function of time with the University and the wage/salary range to which the job is assigned. The upper limit on any market parity calculation is the midpoint (market-point) of the pay range.

This study takes a philosophically different view from the previous study. The University wishes to make the overall reward system more market-based; putting more emphasis on paying jobs competitively and less on crafting pay systems to preserve internal equity and or recognize individual employee differences (degree or total relevant experience). The aim is to be able to attract high-caliber talent in the marketplace and to address historical pay-to-market issues with current staff members as expediently as possible.

In all cases, the midpoint pay range represents market comparability. The aim is to manage employee compensation in such a way that individuals are paid appropriately within their assigned salary range commensurate with their tenure in the job and/or with the University. In order to provide a basis for calculating the gap between market parity and current compensation, the Committee established a years-of-service standard for each employee group at which targeted pay levels will be set. As a model for calculating market parity gaps:

- A Support employee is targeted to reach market parity (midpoint pay level) at 8 years of service with the University,
- Professional/Coaches should reach market parity at 10 years of service, and
- Administrative staff should reach market parity at 12 years of services.

The objective is for Faculty to reach targeted pay at different times depending on rank:

- Instructors should reach market parity at 8 years of service,
- Assistant Professors should reach market parity at 6 years of service,
- Associate Professors should reach market parity at 10 years of service, and
- Professors should reach market parity at 15 years of service.

The following table shows the total estimated, parity differentials by employee group:

Compensation Summary (Initial Estimate)

	Count	Total Current		Avg Mkt (\$)	Amnt B'Lo Min (\$)	Mkt Parity Amnt (\$)	Total (\$)	% of Payroll
		Salaries (\$)	Avg Sal (\$)					
Support	266	6,987,964	26,177	30,058	137,409	144,832	282,241	4.0%
Professional	164	6,843,754	41,995	49,534	103,530	388,004	491,534	7.2%
Administrative	26	2,376,497	87,210	116,783	128,049	297,169	425,218	17.9%
Coaches	34	1,428,802	42,024	48,956	8,541	58,726	67,267	4.7%
Faculty	288	16,385,500	56,894	64,542	186,220	1,173,981	1,360,201	8.3%
Totals	778	34,022,517	254,300	309,873	563,749	2,062,712	2,626,461	7.7%

Implementation

How rapidly the plan can be implemented and whether or not it can ever be fully implemented, depends on the total amount of market parity adjustments and the availability of funds. It is expected, however, to take a number of years to address the market parity gap. The Committee determined that priority should be given to those individuals whose pay falls below the minimum of their assigned pay range at the time of implementation. Since the University wishes to be market-competitive, the range minimum represents the low range of the market.

One of the objectives of this compensation study is to develop and implement a policy that will permit the University to attract the best quality candidates available. The University's current pay plan results in salary offers that are simply not competitive. In the proposed compensation plan, we will permit salary offers up to the salary range midpoint with the approval of the Dean, for faculty, or department director, for staff positions.

Merit/Equity Pay

APSU recognizes how important developing a performance-based culture is when striving to reach optimum results. Implementing effective performance management systems, reinforced by reward/recognition programs, will have a dramatic impact on an organization. In support of these concepts, this study includes a merit/equity pay approach that will be applied along with the implementation of the new performance management and review system.

The aim is to optimize the motivational impact of limited compensation dollars by both recognizing superior performance and addressing the issue of market parity. Building a performance culture and addressing market competitiveness, even in the best economic conditions, are multi-year initiatives. The University intends to approach these issues strategically, moving deliberately to implement an effective plan.

Program Maintenance

In order to protect the integrity of the compensation system and honor the University's commitment to employees to provide equitable compensation, pay ranges must maintain their relevance to the market. To do so, they must be reviewed annually and adjusted as the market dictates. A reputable indicator of market movement is the annual CUPA compensation study. Each year CUPA surveys report the median salary increase in academic institutions. For example, in the 2007-08 report, salaries increased 4.0%.

WorldatWork, an international professional organization of compensation practitioners, publishes an annual Salary Budget Survey. Over the years 1999 to 2008, the average difference between salary range movement and the average actual increases in pay has been 1.5%. So, using the CUPA data as a benchmark of pay movement along with the WorldatWork information, to stay competitive a university would move its salary ranges 2.5% in 2009.

This type of analysis and adjustment should be made annually. Typically, every three to four years, the College should conduct a more comprehensive job-by-job market analysis.

Salaries should be administered in such a way that employees' pay will advance within their salary range consistent with their performance and their time in their jobs.

Work is ongoing to refine pay grade assignments. Once that is completed, the economic impact of implementing these proposed changes can be determined. It is anticipated that implementing changes and executing the steps involved in program administration and maintenance will be a multi-year process.

Appendix A

Compensation Committee Members

Name Timothy Winters
Title..... Professor, Languages & Literature
Representing President, Faculty Senate

Name Roger Clark
Title..... Associate Professor, Accounting
Representing Faculty

Name Loretta Griffy
Title..... Associate Professor, Mathematics
Representing Faculty

Name Uma Iyer
Title..... Associate Professor, Psychology
Representing Faculty

Name Becky Starnes
Title..... Associate Professor, Public Management
Representing Faculty

Name David Loos
Title..... Athletic Director
Representing Athletics

Name Dixie Dennis
Title..... Director, Title 3 Grant
Representing Administrators

Name William Cox
Title..... Executive Director, APSU @ Ft. Campbell
Representing Administrators

Name Jana Hatcher
Title..... Coordinator, School of Education
Representing Clerical/Support/Professional

Name Luke Henry
Title..... Computer Laboratory Technician
Representing President, Staff Council

Name Kelcy Hibpshman
Title..... Inventory Supervisor, Physical Plant
Representing Clerical/Support/Professional

Name Joe Mills
Title..... Director, Housing & Resident Life
Representing Clerical/Support/Professional

Name Lorneth Peters
Title..... Academic Counselor, Student Support Services
Representing Clerical/Support/Professional

Ex Officio Members:

Name Sheila Bryant
Title..... Director, Affirmative Action

Name Ted Heidloff
Title..... Director, Human Resources

Name Carlene Smith
Title..... Associate Director, Human Resources

Appendix B

CUPA Custom - 76 Peer Institutions

- Alabama Agricultural & Mechanical University
- Appalachian State University
- Arkansas State University
- Armstrong Atlantic State University
- Auburn University at Montgomery
- Augusta State University
- Bowie State University
- College of Charleston
- Columbus State University
- Delaware State University
- Delta State University
- East Carolina University
- Eastern Kentucky University
- East Tennessee State University
- Fayetteville State University
- Frostburg State University
- Georgia College & State University
- Georgia Southwestern
- Georgia Southern University
- Grambling State University
- Jackson State University
- Jacksonville State University
- James Madison University
- Louisiana State University in Shreveport
- Marshall University
- McNeese State University
- Midwestern State University
- Morehead State University
- Morgan State University
- Murray State University
- North Carolina Agricultural & Technical State University
- North Carolina Central University
- Northeastern State University
- Northern Kentucky University
- North Georgia College & State University
- Northwestern State University
- Prairie View A&M University
- Radford University
- Salisbury University
- Sam Houston State University
- Southeastern Louisiana University
- Southeastern Oklahoma State University
- Southwestern Oklahoma State University
- Stephen F. Austin State University
- Tarleton State University
- Tennessee Technological University
- Texas A&M International University

- Texas A&M University – Corpus Christi
- Texas A&M University– Kingsville
- Texas State University – San Marcos
- The Citadel, The Military College of South Carolina
- The University of West Oklahoma
- Towson University
- Troy University
- Troy University – Montgomery
- University of Central Arkansas
- University of Central Oklahoma
- University of Houston – Clear Lake
- University of Houston – Victoria
- University of Montevallo
- University of North Alabama
- University of North Carolina – Charlotte
- University of North Carolina – Pembroke
- University of North Carolina - Wilmington
- University of South Alabama
- University of Tennessee at Chattanooga
- University of Tennessee at Martin
- University of Texas at El Paso
- University of Texas at Tyler
- University of West Florida
- Valdosta State University
- Virginia State University
- Western Carolina University
- Western Kentucky University
- West Texas A&M University
- Winthrop University