



TACOMA HOUSING AUTHORITY

RESOLUTION 2012-12-19(3)

DATE: December 9, 2012
TO: Board of Commissioners
FROM: Michael Mirra, Executive Director
RE: Adoption of 2013 Variable Pay Policy

Background

When we negotiated our new contract with OPEIU, we added an MOU for creating a performance based pay program for 2013. It reads:

"The parties agree to confer during 2012 over the terms of a new compensation structure and performance-based pay plan potentially based on information from the performance reviews."

We convened a Variable Pay Committee to design this plan. It included representatives from OPEIU, management and line staff. Its work is completed and is the basis for the policy I now ask the Board to approve. It also reflects the contributions from our finance department, our Cabinet, and our legal counsel.

The policy will allow supervisors and department directors to recognize top OPEIU and non-represented performers through either a merit increase and/or a lump sum award. Departments will each have their own budget for these purposes and are responsible to recommend to the Compensation Committee any awards or increases they want to give in 2013.

THA hopes to establish a merit program for the Trades Council personnel and will work with the union towards that goal.

Recommendation

Approve Resolution 2012-12-19(3) authorizing THA to implement its new variable pay program in substantially the form set forth in the attached draft.



TACOMA HOUSING AUTHORITY

RESOLUTION 2012-12-19 (3)

ADOPTION OF 2013 VARIABLE PAY POLICY

Whereas, The Authority seeks a way to provide incentives for excellent job performance in order to reinforce the type of culture, climate and behaviors that THA needs to be effective;

Whereas, The attached draft Variable Pay policy sets forth the basis on which incentives may be paid;

Whereas, THA and OPEIU have agreed on the terms of this variable pay policy. The parties recognize that this policy covers mandatory subjects of bargaining and thus the content or application of this policy to OPEIU represented employees may be re-opened for bargaining as permitted by applicable law.

Whereas, THA intends to implement the 2013 Variable Pay program with close oversight and analysis of its effectiveness;

Resolved by the Board of Commissioners of the Housing Authority of the City of Tacoma, Washington that: The Board adopts the Variable Pay policy in substantially the form set forth in the attached draft, allowing for changes to format and procedures, and other changes pursuant to THA Policy G-01 on the Adoption, Amendment and Promulgation of Policies.

Approved: December 19, 2012


Janis Flauding, Chair



TACOMA HOUSING AUTHORITY

Policy No.	HR-20.35
Policy	Variable Pay
Date	December 9, 2012

1. Purpose

It is the policy of the Agency to maintain a Total Rewards plan designed to pay salaries that provide incentives for excellent job performance. Recognizing the critical role that pay plays in a performance-oriented culture, Tacoma Housing Authority identified the necessity of developing pay programs to support and reinforce the Agency's culture, climate, and behaviors needed for the organization to be effective. The purpose of the Variable Pay plan is to provide a strategic tool to assist the Agency in achieving its goals of providing responsive, innovative housing services in the most efficient and cost effective manner.

The plan has been designed to reward OPEIU and non-represented Agency employees for exceptional performance of assigned responsibilities and outcomes, and exceptional performance in the completion of special projects. THA and OPEIU have bargained over the terms of this policy and have agreed on the content of this policy.

2. Sources for Policy

- ▶ OPEIU Collective Bargaining Agreement
- ▶ Washington State Minimum Wage Act, Chap. 49.46 RCW
- ▶ Fair Labor Standards Act of 1938, 29 U.S.C. § 201 *et seq*

3. Scope of Policy

This policy applies to all employees represented by THA Office and Professional Employees International Union, Local 23 and non-represented employees

4. Who is Responsible for Implementing Policy

Who	Responsibilities
<i>Office of Human Resources</i>	<ul style="list-style-type: none"> • Provide guidelines regarding reward program • Monitor compliance with this policy • Serve as consultants to supervisors and directors in implementing program • Oversee the use of reward programs
<i>Supervisors/Directors</i>	<ul style="list-style-type: none"> • Recommend employees for a variable pay award • Ensure consistent implementation of reward programs within their department in a manner that is consistent with the written guidelines • Help staff understand this policy.
<i>THA Compensation Committee</i>	<ul style="list-style-type: none"> • Final approval or denial of variable pay award request • Ensure consistent application of this policy
<i>All OPEIU and non-represented staff</i>	<ul style="list-style-type: none"> • Responsible for being acquainted with this policy

5. Definitions	
Merit Increase for Annual Evaluation (MIAE)	A salary increase award of up to two and one-half (2.5%) percent of the annual base salary for any eligible employee whose annual performance evaluation performance has been documented at a level that the Director determines to be excellent work and worthy of recognition
Special Recognition Award (SRA)	One-time cash or non-cash award for significant outstanding performance

6. Forms Associated with this Policy	

7. Policy

7.1 Variable Pay Guidelines

In order to recognize and promote excellence, two methods of providing variable pay awards will be available. Eligible employees may be nominated for and awarded a Merit Increase for Annual Evaluation (MIAE) based on their performance evaluation score and/or a Special Recognition Award (SRA) based on extraordinary effort and/or results.

The Variable Pay accomplishes several important Agency objectives:

- (a) It makes excellent performance financially worthwhile to the staff. This creates a climate in which excellent performers are encouraged to sustain their performance;
- (b) It communicates to satisfactory performers the importance of improved performance. This creates a climate in which employees understand that superior performance is financially worthwhile and provides encouragement for them to improve their performance where possible to earn financial rewards;.
- (c) It provides a pay system that encourages excellence and not mediocrity;
- (d) It communicates to less than satisfactory performers that their performance must improve or they will be encouraged to find employment where their abilities more closely match the performance expectations of the organization.

7.2 Variable Pay Options

7.2.1 Basic Eligibility Criteria

To be eligible for either an MIAE or SRA, an employee must meet all the following criteria at the time of the nomination:

- must have successfully passed Probation and been employed a minimum of one year as a full-time OPEIU or non-represented employee; and
- must be a regular status employee. Sunset and temporary employees are not eligible; and
- must have received at least a “3” Meets Expectations rating on his/her last performance evaluation; and
- must not have received a Disciplinary notice in the past twelve months.

7.2.2 *Merit Increase for Annual Evaluation (MIAE)*

(a) Nomination

The Executive Director or a Department Director may recommend a salary increase award of up to two and one-half (2.5%) percent of the annual base salary for any eligible employee within their department whose performance on their annual performance evaluation has been documented on the THA performance evaluation form at a level that the Director determines to be excellent work.

MIAE's must be proposed on the basis of the completed annual performance evaluation form and must be submitted either simultaneously with, or no later than sixty calendar days following, submittal of the annual performance evaluation that has been discussed with the employee.

(b) Eligibility Date Change

The date for MIAE eligibility for an employee will change only if the employee is promoted or otherwise assigned to another position and is required to serve a probationary period; or the employee receives an off-cycle adjustment as authorized by the Compensation Committee.

(c) MIAE Limits

The amount of any increase is variable based on the employee's position in their pay grade and level of performance. Generally, the higher in the pay grade an employee is, the smaller the percentage of increase for a specific level of performance. Additionally, since each pay grade has a maximum base salary, an employee who is at the top of the pay grade will only be eligible for a lump sum award paid in lieu of a future increase.

The MIAE will be paid as an increase in the base salary rate up to the maximum rate for the position, except as provided herein. That portion of an MIAE that would exceed the maximum rate for the

position will be awarded as a one-time lump sum payment paid in lieu of a future increase.

Merit Increase Evaluation Awards must be funded from the department's Variable Pay budget.

In no event will an employee receive more than one MIAE in a calendar year.

7.2.3 *Special Recognition Award (SRA)*

(a) Nomination

The Executive Director or the Department Director may recommend a lump sum Special Recognition Award. The recommendation can be up to one (1%) percent of the annual base salary for any eligible employee within their department for extraordinary effort and/or results from an assigned project or following a period of excess work demands within a department.

This SRA will not be incorporated into an employee's base pay for the purposes of computing overtime/compensatory time accruals unless required by FLSA, but will remain a separate, one-time recognition of contribution or innovative ideas put to practice in the organization. An employee may be recommended for such an award for:

- A project or work product that is specific and identifiable with both start and end dates.
- A project or work product assignment that may be interdepartmental, with an assigned "total award" which is shared equally by all members of the task group.
- A demonstrated level of creativity, skill, or conscientiousness that is beyond that normally expected for the position.
- Individual contribution or leadership without which the project or program results would not have been achieved, and which are beyond what is normally expected for the position.
- Innovation or conscientiousness that may have resulted in substantial savings or reduced costs or significantly improved service to an internal or external customer.

The Department Director may request Special Recognition Awards for staff within their department, either individually or as a group, in a manner that outlines the circumstances and the performance that merits the award.

Eligibility for this SRA program is part of the Total Rewards plan for each eligible employee during the applicable period of service. An employee who receives an SRA has thereby satisfied this portion of the Total Rewards plan by the employee's extraordinary work or effort during that period.

The following are not reasons to give a Special Recognition Award:

- Labor market issues
- Longevity
- An employee in an acting status

An SRA under this section shall be provided as a one-time lump sum amount to be added to the employee's paycheck at the next possible payroll cycle following approval of the award.

Lump sum SRA's may be given any time during the year.

(b) SRA Limits

Special Recognition Awards must be funded from the department's performance awards budget.

In no event will an employee receive more than two SRA's in a calendar year.

7.2.4 *Compensation Committee*

The Compensation Committee will approve or deny all Merit Increases for Annual Evaluations and Special Recognition Awards proposed by department directors. The decision to approve or deny is final. In addition to the performance criteria within this section, the Compensation Committee's decision to approve or deny will consider:

- 1) The department's ability to fund the award within the department's established budget;
- 2) The total number and cost of performance based salary awards given or contemplated by the department during the year;
- 3) Equity between departments;
- 4) Fairness to employees; and
- 5) The overall fiscal status of the Agency.

7.2.5 *HR and Executive Director Oversight*

The HR Director or the Executive Director may overturn or modify a decision of the Compensation Committee.

7.3 No Right to MIAE or SRA.

There is no right to either an MIAE or a SRA. The awarding or withholding of either is within the discretion of THA. An award also does not guarantee continued employment, further awards or other consideration.

While THA intends the plan will become an integral part of its Total Rewards plan for OPEIU and non-represented employees, the Agency reserves the right to terminate, suspend, or amend the plan, in whole or in part, from time to time as conditions warrant.

8. Administration

8.1 Administration

The plan will be administered by the Compensation Committee under the supervision of the HR Director. The plan is designed to be flexible in response to changing competitive environments and the Agency's financial status.

8.2 Fiscal Impact

The Variable Pay plan's net cost to the non-represented payroll will be evaluated and established annually as part of the budget process. The Variable Pay plan's net cost of the OPEIU payroll is negotiated through the collective bargaining process. The percentage amount established is based on projected base salaries for the calendar year.

8.3 Leave and Lay-Off Considerations

An employee returning from a leave of absence without pay will have their eligibility date extended by the same length of time (to the nearest whole month) that the employee was on leave without pay. An employee reinstated to the same position or a position in the same grade following layoff from employment will have their eligibility period extended by the same length of time (to the nearest whole month) as the duration of their layoff, to a twelve month maximum. An employee who has an involuntary downward job movement will have their eligibility date change to the effective date of the new job.

8.4 Collective Bargaining

THA and OPEIU have agreed on the terms of this variable pay policy. The parties recognize that this policy covers mandatory subjects of bargaining and thus the content or application of this policy to OPEIU represented employees may be re-open for bargaining as permitted by applicable law.