



COMMONWEALTH of VIRGINIA

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July 19, 2007

MEMORANDUM

TO: Agency Human Resource Directors

FROM: Rick Pugh
Director, Agency Human Resource Services

SUBJECT: Fiscal Year 2008 Authorizations and Compensation Activities

Please be advised of the following information concerning compensation activities for fiscal year 2008 (July 1, 2007 through June 30, 2008):

1) Increases in the Federal Minimum Wage

On May 25, President Bush signed a spending bill that, among other things, amended the Fair Labor Standards Act (FLSA) to increase the federal minimum wage in three steps: to \$5.85 per hour effective July 24, 2007; to \$6.55 per hour effective July 24, 2008; and to \$7.25 per hour effective July 24, 2009. Agencies are responsible for ensuring that employees who are covered by the minimum wage provisions are paid no less than \$5.85 per hour beginning July 24, 2007. Agencies with employees who qualify for a sub-minimum wage must ensure that payments beginning July 24, 2007 continue to comply with FLSA requirements (e.g., 85% of the minimum wage).

Please remember that agencies with employees subject to the Act's minimum wage provisions must post and keep posted notices explaining the Act, as prescribed by the Wage and Hour Division of the U.S. Department of Labor, in conspicuous places in every establishment where such employees are employed, so as to permit them to readily observe a copy. New posters and other compliance assistance materials will be available on the Wage and Hour Division website by July 24, 2007 (see www.wagehour.dol.gov).

2) Adjustment of the Classified Salary Structure

The Governor and General Assembly have approved a 4.0 percent adjustment of the state salary structure, effective November 25, 2007. Pay Band minimums and maximums will be increased by 4.0 percent on that date (revised ranges are attached). This adjustment to the pay bands will not change the salaries of employees. However, employee salaries will increase based on performance, as outlined below.

MEMORANDUM

Agency Human Resource Directors

July 19, 2007

Page 2 of 6

Salary ranges for unclassified roles (role codes over 90000) will not be adjusted automatically. Agencies with positions in such roles should send the proposed revised ranges to the DHRM Help Desk via <http://web1.dhrm.virginia.gov/itech/> (Help Desk tab on the left side of Web page).

3) 2007 Salary Increases

The General Assembly did not approve variable performance increases as provided in Policy 1.40, Performance Planning and Evaluation. Rather, the Governor and the General Assembly approved a uniform 4.0 percent increase for all classified and other salaried employees (full-time and part-time) who are rated "Contributor" or "Extraordinary Contributor" for performance during the performance cycle ending October 24, 2007.

Where the new salaries that are computed exceed employees' pay band maximums, the amounts above the maximums will be paid as one-time, lump-sum payments, as in past years.

A) Evaluations:

Performance evaluations for classified employees must be conducted as required by Policy 1.40. Agencies should monitor employees' evaluations to ensure their consistency and reliability. However, agencies may not manage or adjust employees' ratings in an effort to control or reduce the cost of the increases. If the statewide general fund cost exceeds the appropriated amount, then agency distributions from central appropriations will be prorated by the Department of Planning and Budget. See DHRM's ITech office instructions on entering the ratings for processing the performance increases. We recommend that agencies also enter ratings into PMIS for salaried non-classified employees (those in Roles 90000 and above) to facilitate processing of their salary adjustments.

B) Agency Heads and other At-Will Employees:

Agency heads and other at-will employees will be granted a 4.0% performance increase, consistent with the increases described above, if they meet satisfactory performance criteria, as certified by the appointing authority. We recommend that agencies treat these employees the same as classified employees for processing purposes to ensure that their increases are processed in a timely manner. These employees will be included in the file that will be available to agencies for entering ratings. A rating of "C" should be entered to indicate satisfactory performance, while "B" should be entered for any employees whose performance is unsatisfactory. It is the responsibility of each agency to ensure that the appointing authority has certified the agency head's or at-will employee's performance.

C) Probationary Employees:

- 1) Performance evaluations must be completed for classified employees who were hired or re-hired between October 25, 2006 and July 24, 2007.

MEMORANDUM

Agency Human Resource Directors

- 2) Agencies may choose to complete performance evaluations for employees who were hired or re-hired between July 25, 2007 and October 24, 2007.
- 3) A 4.0% increase will be applied to the salary of any probationary employee who is rated "Contributor" or "Extraordinary Contributor."
- 4) Employees hired on or after July 25 who are not rated will not receive the 4.0% salary increase. Salaries of unrated employees (and those hired after October 24, 2007) who are hired at the entry of their assigned Pay Bands will fall below the new Pay Band minimum on November 25, 2007. There is no process in place to automatically increase their salaries later. Agencies, therefore, may wish to consider internal alignment increases, especially if other new employees are hired on or after November 25, 2007 at the new, higher minimum.

D) Wage Employees:

The base rates of pay for wage employees may be increased by up to 4.0 percent on or after November 25, 2007. The cost of such increases shall be borne by funds appropriated to each agency.

E) Independent Agencies:

Agency heads of Legislative and Judicial agencies, as well as the Workers' Compensation Commission, the State Corporation Commission, the Office of the Attorney General, the Virginia Retirement System, the State Lottery Department, the University of Virginia Medical Center, the Virginia College Savings Plan, the Virginia Port Authority, and the Virginia Office for Protection and Advocacy may utilize agency funds or the funds provided for the 4.0% increase to implement the provisions of their existing pay plans.

F) Faculty

The General Assembly provided funding for an average 4.0% salary adjustment, effective November 25, 2007, for faculty in all higher education institutions. For those institutions of higher education with nursing faculty, this average four percent increase is in addition to the ten percent salary increase provided for all nursing faculty within each affected institution of higher education. Institutions should contact their assigned analysts at the Department of Planning and Budget if they have questions concerning faculty salary adjustments.

G) Employees on Leave

- 1) Otherwise qualified employees who are on short-term disability or other paid leave will receive 4.0% increases effective November 25, 2007.
- 2) Employees on long-term disability-working will also have the salary adjustment applied to their current rates of pay. The adjustment does not apply to employees who are on long-term disability-non-working.
- 3) Employees on leave without pay are not eligible for the 4.0% increases until they return to work or paid leave.
- 4) Eligible employees on leave without pay-military will have their active military supplements adjusted to reflect the 4.0% increase (see Steve Hastey memo for instructions).

MEMORANDUM

Agency Human Resource Directors

July 19, 2007

Page 4 of 6

- 5) A salary increase cannot be applied for any employee who has an overdue leave or short-term disability end-date in PMIS.

4) Funding to Implement Pay Practices

Agency heads in the Executive Department were authorized to utilize an amount equivalent to 0.5 percent of salaries to implement pay practices under the compensation plan for classified employees and agency compensation plans during fiscal year 2007. The intent of these additional funds was to assist agencies with making necessary salary adjustments to address concerns such as competitiveness or internal alignment. Where these funds have been used to support pay practices, Personnel Action Worksheets should have been prepared for all affected employees. The funds were not intended for use in providing increases to wage employees.

These funds were not intended to limit agencies' use of pay practices; agencies were not limited to providing 0.5% average increases during fiscal year 2007. The level of funding provided for an average 0.5% increase effective November 25, 2006. While agencies could choose to use some of the funds for one-time payments, the funding assumed that base salary increases would be provided, and continuation funds are provided to support these base salary increases in fiscal year 2008. If an agency used some or all of the funds for one-time payments, additional funds may remain for use in fiscal year 2008.

As I indicated in my August 31, 2006 memorandum, we are requesting that agencies report how the funds were used. Agencies should submit reports describing their use of the funds by August 15, 2007. If you are able to identify the employees who received increases and the dollar and percentage amounts that each employee received, that detailed information should be provided. If detailed information is not available, the use of the funds should be described in general terms. The report should be sent to the human resource management consultant assigned to your agency.

5) Overtime Pay and Differential Authorizations

P-14 authorizations for overtime pay and differentials that are scheduled to end on June 30, 2007 are extended through June 30, 2008. New P-14 forms are not required at this time. If your agency needs approval for an overtime payment or differential that has not been approved previously, you will need to submit a P-14 form.

The P-14 form is on the DHRM website, <http://www.dhrm.virginia.gov/forms.html>. A Word version of the form can be filled in and E-mailed to your assigned human resource management consultant using the *File/Send to/mail recipient* menu selections; you can also make internal distribution of the form using the *CC:* feature. The AHRS human resource management consultant will make any necessary changes to the form and forward it to DOA with an indication that it has been approved. A copy of the approval will be returned to you for your records. If your agency does not use Word, you will be able to fill in a PDF version of the form, print it, and then mail or FAX it to your assigned human resource management consultant for processing.

MEMORANDUM

Agency Human Resource Directors

July 19, 2007

Page 5 of 6

If your agency is a parent agency (e.g., Department of Corrections), for compensation practices that are consistent in all facilities or sub-agencies under the parent, you may choose to send in a single P-14 form rather than separate forms for each sub-agency. However, the agency codes for all sub-agencies covered by the authorization should be listed on the form. Individual P-14 forms will still be required for practices that are unique to single sub-agencies.

6) Supplements

Supplements, decentralized to agencies in 2000, are payments that are made only when employees meet the criteria for earning them. The decentralized supplements that have been identified include: On-Call Pay, Call-Back Pay, Camp Supplement, Charge Duty, Medication Supplement, Shift Pay, and Working Conditions Supplement. Agencies that want to pay a supplement that has not been previously identified should submit a P-14 request to DHRM for approval. If appropriate, new supplements will be available for use by all agencies.

7) Wage Authorizations (WE-14)

Forms WE-14 for wage employment are not required for hourly employees hired into any existing Role. Contact your assigned human resource management consultant if you need to establish an additional Role solely for the purpose of wage employment. We will continue to monitor use of the pre-approved Roles for wage employees.

8) Demonstration Projects

Agencies may consider compensation demonstration projects. However, agencies will not be permitted to grant salary increases in excess of increases approved for other employees. Demonstration projects must have clearly defined objectives and specified time frames and are limited to two years' duration. Any requests for projects should be discussed with your assigned human resource management consultant before being submitted for approval.

9) Sub-Bands

Where appropriate, the Alternate Band fields on PMIS may be used by agencies to establish Sub-Bands within Pay Bands. Sub-Bands should not be used routinely, but are intended for situations where a clear distinction must be maintained within Roles, such as for rank structures in law enforcement agencies. Agencies wishing to establish or adjust Sub-Bands should notify their assigned human resource management consultant for assistance. The Alternate Band fields on PMIS will not be increased automatically by 4.0 percent effective November 25, 2007.

MEMORANDUM

Agency Human Resource Directors

July 19, 2007

Page 6 of 6

Please ensure that a copy of this memorandum is provided to all human resource staff and to your agency's fiscal officer. If you have questions, please contact the human resource management consultant assigned to your agency.

Attachment

cc: Sara Redding Wilson
David A. Von Moll, State Comptroller