

Staff Compensation Administration Guidelines

The Personnel Services Compensation Office is responsible for establishing university compensation principles, determining salary and wage guidelines, and job content development which comply with state and federal law and achieve the university's business objectives. This includes responsibility for developing job descriptions, determining the classification of positions, determining the appropriate selection of positions, and monitoring departmental compliance with university compensation policies and procedures, and federal and state law.

Department administrators, senior business officers, human resource directors and managers, and home department coordinators and supervisors are responsible for assuring their department's compliance with university compensation policies, including approval and recordkeeping requirements. These Staff Compensation Administration Guidelines provide departments with a framework around which those internal practices must be developed and executed. Schools and divisions are encouraged to establish additional departmental guidelines to clarify senior management's expectation for requests, review, approval and documentation of employment actions. Failure to comply with the requirements set forth in university and department guidelines will be cause for disciplinary action, up to and including termination.

These guidelines apply to staff employed by the University of Southern California. Employees of other entities that have entered into agreements with the University of Southern California to provide payroll services are subject to the policies and procedures adopted by their employer. In the event of a discrepancy between policies and procedures and a collective bargaining agreement, the terms of the collective bargaining agreement will govern.

If you have any questions regarding these guidelines, please contact the compensation staff in Personnel Services at (213) 821-8280 at the University Park campus or (323) 442-1010 for the Health Sciences campus. Additional information about compensation and related forms are available online at www.usc.edu/dept/personnel/comp.

Principles

1. All departments must comply with federal and state wage and hour law including minimum pay requirements, minimum wage and salary rates, time and record keeping, overtime pay requirements and payment schedules (See Staff Wage and Hour Policies).
2. The authority, accountability and responsibility for staff compensation administration lies with supervisors, who are required to execute employment actions in accordance with the policies, practices and guidelines established by the university and additional requirements which may be established by their schools and divisions. Supervisors are required to consult with the person to whom they report on all employment decisions affecting the employees that report directly to them. This requirement for "one level up" review and approval applies to all employment decisions including the determination of salary and wages rates, changes in the terms and conditions of employment, hiring, promotions, demotions, reorganizations, terminations, etc.

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Schools and divisions may establish stricter reporting, review and approval requirements than described in these guidelines.

3. Supervisors are accountable for and expected to establish and maintain pay in accordance with university compensation administration guidelines and additional requirements or restrictions which may be prescribed by the president, provost, senior vice presidents, deans, vice presidents and additional requirements that may be determined by senior department management. When determining salary or wage rates, they must consider factors such as marketplace comparisons, the education and experience of the individual, fair and equitable distribution among employees in the same or similar position classifications, individual performance, and available funding.

4. The university has established position grades and New Hire Staff Wage and Salary Schedules to assist departments with establishing appropriate levels of compensation and standards for equitable pay across the university. Departments should utilize the New Hire Staff Wage and Salary Schedules as a guide to establishing starting wage and salary rates for newly hired, rehired, transferred or reclassified staff. The schedules are of limited value in assessing appropriate pay for continuing employees or positions with unique market demands. The compensation staff in Personnel Services are available to assist departments in reviewing compensation on a case-by-case basis.

5. Funding for compensation and employee benefits for staff is allocated during the budget approval process each fiscal year. Changes to this allocation may only be made during the annual budget approval process or through a specific mid-year budget amendment or modification request, which has been reviewed and approved by the appropriate administrator, the Office of Budget and Planning, and Financial Administration and Performance. Any commitment of compensation in excess of the amount specifically budgeted for the current fiscal year or which increases the budget commitment in future years is subject to this amendment/modification approval process.

6. Staff pay increases are merit-based and should vary according to individual performance and the amount of funding available. There are to be no across-the-board increases or uniform cost of living increases. One merit increase is allowed during each fiscal year, effective on July 1. Every employee should be informed, in writing, of his or her annual merit increase and new rate of pay, if applicable, before July 1. The reason for the amount of the increase, or lack thereof, should be described and documentation must be retained in the employee's file. Performance evaluations should be based on performance sustained over time and documented in writing. Employees must be given the opportunity to comment on the evaluation documentation. Both the evaluation and the employee's comments must be retained in the employee's file. Guidance for appropriate performance evaluations is provided in Staff Hiring and Employment Policies, Performance Evaluations.

7. Employees who transfer or are rehired into posted positions should receive compensation appropriate to the new position, their qualifications and available funding as described in number

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three above. Employees are not guaranteed the rate of pay associated with their previous position or guaranteed any increase because of a move to a higher grade.

8. A staff employee reclassified to a higher grade may receive a pay increase based on the factors described in number three above. A reclassification may be accompanied by an increase in pay, but an increase is not mandatory. The compensation staff in Personnel Services are available to assist departments in reviewing compensation for these employees on a case-by-case basis.

Administrative Guidelines

Federal and State Wage and Hour Compliance

- *Minimum wage*

The state minimum wage rate for non-exempt employees, effective January 1, 2007, is \$7.50 per hour. It increases to \$8.00 per hour on January 1, 2008.

- *Minimum salary*

State law requires that all exempt staff, regardless of percentage of time worked, must earn a monthly salary equivalent to no less than two times the state hourly minimum wage for full-time employment. This salary rate is currently \$2,600 per month, or \$31,200 per year. It increases to \$2,773.33 per month, or \$33,280 per year, on January 1, 2008

Special minimum wage or salary rates may apply to specific positions. The compensation staff will notify supervisors of those requirements if and when they apply.

- *Payment for overtime*

Non-exempt employees who work in excess of eight (8) hours in a workday or forty (40) hours in a work week must receive overtime compensation. Only those employees working under an alternative work schedule set up in accordance with state regulations and approved and filed with the state by Personnel Services may be exempt from this overtime requirement. (See Staff Wage and Hour Policies, Overtime and Alternative Work Schedule.)

If a non-exempt employee is paid extra compensation for additional duties performed within the regularly scheduled work hours, the extra compensation (“overload”) is considered part of the regular rate when determining an hourly overtime rate.

Increases in Compensation

Departments are encouraged to review the compensation provided to their staff employees throughout the year and, when appropriate, adjust compensation at the start of the new fiscal year on July 1. During that review, departments should establish and continue to maintain levels of total compensation which are competitive in the marketplace for the work done by the employee and which provide appropriate levels of reward and recognition for staff who perform at the highest levels of quality and productivity.

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All increases in compensation, regardless of percentage, dollar amount or type of compensation, require review and approval “one level up” prior to the employee being notified of an increase and prior to changes being made to the employee’s employment record (e.g., pay lines updated on the Payroll/Personnel System or Budget Development System). “One level up” means that the affected employee’s supervisor’s supervisor must have had the opportunity to review the proposed change and authorize the transaction. All proposed changes in compensation must illustrate not only the proposed change in base wages/salaries, but also detail any additional compensation (e.g., bonuses) received within the current fiscal year or proposed to be received in the coming fiscal year. In other words, review and approval of any type of compensation should be done in the context of “total compensation.” Departments are encouraged to also require, as part of their review, the employee’s total compensation history going back three to five years, as well as comparative data on the total compensation provided to employees in similar positions within the department. Departments may establish their own processes or reporting requirements for “one level up” review and approval. Departments must retain, and may be asked to provide, records verifying approval.

In addition to “one level up” review and approval, certain increases in compensation require additional review and approval by higher levels of authority. Reports of these increases will be shared with the university’s senior leadership. Documentation of review and approval may be audited. Those circumstances are summarized below:

- *Increases more than 6 percent and up to 10 percent*

Require the approval and signature of the appropriate dean, vice president or associate senior vice president.

- *Increases more than 10 percent and up to 25 percent*

Require the approval and signature of the appropriate dean, vice president or administrative senior vice president. (For schools and departments reporting to the Provost, the approval of the dean or vice president is sufficient; approval by the Provost is not necessary.)

- *Increases more than 25 percent*

Require approval and signature of the Provost or senior vice president. (Staff in schools and departments reporting to the Provost must receive the approval of the Provost and staff in administrative departments must receive the approval of the senior vice president to which their department or division reports.)

- *Salaries of \$200,000 or above*

Reviewed annually and authorized by the Provost or senior vice president. (Staff in schools and departments reporting to the Provost must be reviewed by the Provost and staff in administrative departments must be reviewed by the senior vice president to which their department or division reports.)

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Additional Review for Mid-Year Pay Increases

Mid-year pay increases, for reasons other than promotion or reclassification, should be minimized, but may be considered to adjust internal or external equity, or to reward a substantial increase in responsibility and/or duties. Typically, only one merit increase is allowed during a fiscal year, on July 1. Mid-year pay increases may only be effective on a date that falls during the period of October 1 through March 31. Units considering pay increases prior to and after this time period should address the requests during the budget approval process. When completing the Budget Development System (BDS) or payroll process for the new fiscal year merit-based pay increases for staff funded by grants must be included. To ensure adherence to federal regulations concerning institutional base compensation, the lack of grant funding prior to July cannot be used as the justification for a mid-year pay increase. Increased availability of funding (unrestricted, restricted, or contracts and grants) is not, in and of itself, a valid reason for requesting a mid-year pay increase.

In addition to “one level up” review and approval, mid-year pay increases, other than for promotion or reclassification, require approval and signature of the appropriate dean, vice president or associate senior vice president. If the amount of the increase falls into the above categories, those additional review and approval requirements will also apply. Reports of mid-year increases will be shared with the university’s senior leadership. Documentation of review and approval may be audited.

Reductions in Hours or Salary/Wage Rates

Prior to notifying the employee, departments that wish to decrease the number of scheduled hours worked by a non-exempt employee by more than 15% or to decrease the salary or wage rate of an exempt or non-exempt employee must submit a reorganization plan to Personnel Services for approval (See Staff Hiring and Employment Policies, Layoffs and Reorganizations). Departments who wish to increase the scheduled hours for a non-exempt employee should consult Personnel Services. Employees must be notified two to three weeks in advance of the change.

If an employee requests in writing to reduce his or her schedule or salary or wage rate and it is approved in writing by the department after careful review of the impact on the department, there is no need for the department to submit a reorganization plan, and the position does not have to be posted. The department has no obligation to comply with the employee’s request for a change in schedule unless the request is made as a condition of an ADA accommodation or as part of a release to return to work from a medical leave. The department should make certain appropriate records are maintained in the employee’s file and the Payroll System is updated appropriately

Establishing Wages or Salaries for Posted Positions

When determining wage or salary rate offers, departments should consider the candidate's applicable education and experience, marketplace equity, compensation levels of existing staff (peers and subordinates) within the appropriate work unit, and available funding.

- *New Hires*

Departments are encouraged to offer compensation for new hires that is within the wage or salary rate range assigned to the grade of their position, but may extend offers below or above the ranges. The New Hire Staff Wage and Salary-Schedule Guidelines provide a range of compensation that reflects, in general terms, market comparisons. Each wage or salary rate range is divided into thirds. Typically, the first third reflects wage or salary rates for candidates whose work experience, education and skills satisfy only the minimum requirements of a position. Well qualified candidates who possess additional skills, work experience, education and knowledge would typically be paid in the middle third of the wage or salary rate range, which adds considerable value. The top third of the wage or salary rate range is available for situations warranting a rate of pay above market. Examples include, but are not limited to, staffing for highly market sensitive positions or recognition of extraordinarily qualified candidates whose particular work experience, education, skills, and knowledge exceed the position requirements, which is rare. These qualifications should result in meaningful contributions to the department, which exceed typical expectations of the position. Departments wishing to extend an offer below or above the range should contact the Compensation Office to discuss market comparisons and internal equity.

The university discourages a July 1 Fiscal Year merit increase for employees hired after April 1. Merit increases are based on an evaluation of sustained performance and these employees may not have had sufficient opportunity to demonstrate such performance. The initial rate of pay should be set with this in mind and the schedule for pay increase opportunities should be communicated to the employee during the offer of employment.

- *Rehires*

The rate of pay for employees who terminate and who are reemployed will be determined on the same basis as any candidate newly hired into a posted position, as described above. Although prior university experience would typically be an important factor, employees are not guaranteed the rate of pay associated with their previous position or guaranteed any increase when rehired into a posted position at a higher grade.

- *Promotions*

A promotion occurs when an employee accepts a different, posted position at a higher grade. The new rate of pay is determined on the same basis as any candidate newly hired into a posted position, as described above. Employees are not guaranteed the rate of pay associated with their previous position or guaranteed any increase because of a move to a higher grade.

- *Transfers*

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A transfer occurs when an employee leaves one position within the university and is hired into a different, posted position at the same or lower grade. The new rate of pay is determined on the same basis as any candidate newly hired into a posted position, as described above. Employees are not guaranteed the rate of pay associated with their previous position.

Demotions

A demotion occurs when an employee is moved from his or her current position to a position at a lower grade as part of a disciplinary action. A demotion must have the approval of Personnel Services prior to the employee being notified. Employees who are demoted are not guaranteed the rate of pay associated with their previous position. An employee's voluntary election to accept a different position at a lower grade level is considered a transfer, not a demotion.

Reclassification of a Position to a Different Grade

The reclassification of a staff position to a higher or lower grade is a corrective action that typically occurs when it is determined by the Compensation Office in Personnel Services that an employee is utilizing a job description that does not appropriately reflect current duties and responsibilities. Reclassifications are not the result of changes in an individual's performance or in anticipation of future changes in duties. Departments should consult with the compensation staff in Personnel Services to determine whether a change in job duties would more appropriately be processed as a promotion, demotion or transfer.

Employees whose exemption status changes due to a reclassification should consult the Office of Benefits Administration about how the change may impact their benefits.

A staff employee holding a position that is reclassified to a higher grade may receive a pay increase at the discretion of the unit, but it is not mandatory.

Rates of pay for employees whose positions are reclassified to a lower grade will remain at their existing level.

The compensation staff in Personnel Services must review all department requests for reclassification. The compensation staff may initiate reviews of positions they believe might require reclassification. A request for reclassification must include the following:

1. *Position Questionnaire*—Employees must complete the Position Questionnaire listing the primary job duties performed, which they describe in their own words (not verbiage from the job description). The Position Questionnaires must be reviewed and signed by the supervisor after any appropriate amendments are made by the supervisor.
2. *Request for Reclassification form*—This form must be completed by the department's human resources professional or a director, manager or home department coordinator; then signed by the senior business officer and department head.

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3. *Organization Chart*—The organization chart for the unit should include names, job titles/codes and grades for all positions and where the reclassified position would fit into the organization.
4. Old and new job descriptions for the position

The required forms are available online at www.usc.edu/dept/personnel/comp. The compensation staff in Personnel Services will review the material and may conduct further interviews. Departments should anticipate a review period of their requests that may extend from 4 to 8 weeks.

The employee may not be provided with any commitment of a change in his or her classification until after the compensation staff in Personnel Services notifies the department of their decision.

Supervisors should continuously evaluate the appropriateness of job duties for all positions and may request position classification corrections at any time. The effective date, however, may not be retroactive. The compensation staff in Personnel Services is available, upon request, for advice and consultation for all reclassifications and will determine if it would be more appropriate to process changes as promotions, demotions or transfers.

Overload Compensation

A staff employee who temporarily performs duties unrelated to his or her normal responsibilities or who temporarily assumes additional responsibilities due to unusual circumstances in his or her department may be eligible to receive extra compensation as “overload.” Examples include, but are not limited to, temporary assumption of extensive additional duties due to the extended leave or resignation of an employee within the unit, or temporary assumption of additional more complex higher-level duties due to a short-term project or program. Such overload payments for the assignment of additional duties are not mandatory and, if provided, require extensive review and approvals before a commitment is made to the employee. The period for which an overload is paid may not exceed 12 months. Overload compensation for non-exempt employees must be paid on an hourly basis, at the new overload rate.

Supervisors must discuss with the employees the overload assignment and specifics. An Overload Agreement must be given to the employee and signed by the supervisor. The Overload Agreement must indicate what temporary job duties are to be performed by the employee, the overload amount, and the agreed start and end date of the assignment. The employee must sign and date the Overload Agreement indicating acknowledgment of the start and end date of the assignment, the overload amount, and the specific temporary job duties to be performed.

• Approvals

All requests for overload compensation must be reviewed and approved by (1) the employee’s supervisor, (2) the supervisor’s supervisor (“one level up” review), (3) the employee’s dean, vice president, or associate senior vice president, and (4) the authorized signer for the compensation account. Additional departmental review and approval may apply. This review and approval must be completed before a commitment to provide overload compensation is made to the employee.

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Departments must submit to Payroll Services the Overload Agreement, documentation of the establishment of a pay line with the new hourly rate, and verification of approval.

- *Overload Payments by a Second Department*

In addition to the requirements noted above, the second (funding) department must notify the employee's home department of the overload assignment at the time of the offer. This will allow the employee's supervisor to review the additional assignment to ensure that the additional work will be performed outside the employee's standard working hours and will not adversely affect the employee's primary assignment. It is the responsibility of the second department to communicate all pertinent arrangements associated with a job offer for a second assignment to the employee's home department supervisor.

- *Overload Compensation for Teaching Activities*

In addition to the approvals noted above that are required for all overload payments, prior written approval by the Provost or his designee is required before the beginning of the course for staff engaged in teaching. The compensation staff in Personnel Services will coordinate the approval process. The staff employee should not be given a teaching assignment or notified of overload payment until approval is confirmed.

An individual who performs both staff functions and teaching activities is considered a full-time staff employee with a concurrent part-time faculty appointment and title. A staff employee may not teach more than one course per academic year. Departments should update the directory section on the Payroll System (PS.EMPL.DEMO) to reflect a concurrent part-time faculty title for the staff employee while he or she is teaching and delete the part-time faculty title when the teaching assignment is completed. The terms of employment that apply are those stated in the Staff Employment Policies and Procedures.

Discretionary Bonuses

Discretionary bonuses provide a mechanism to reward staff employees for past performance and specific accomplishments above and beyond regular meritorious performance expectations. Payment, provided in a lump sum, typically recognizes specific accomplishments, such as extraordinary cost savings, generation of revenue, outstanding contributions related to project completion, etc. Discretionary bonuses are not measured by or dependent on hours worked, attendance, production or efficiency. Payments are not tied to a formal variable pay plan or performance target; are not guaranteed and may be withdrawn at any time. Discretionary bonuses are not construed as wages and are not included in the regular rate of pay for overtime purposes. Payments are treated as supplemental compensation and subject to withholding at the flat tax rate.

Schools and departments may provide discretionary bonuses in addition to merit increases in base pay and may only provide them if they have budgeted for them in advance; the availability of funding does not guarantee the awarding of discretionary bonuses. Typically, bonuses are approved during the budget approval process. Departments must submit to Payroll Services

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documentation indicating the establishment of a new pay line for a bonus, verification of approval and a check request.

All bonus compensation must be reviewed and approved “one level up” and may, depending upon the dollar amount, require additional approvals as noted below. Additional departmental review and approval may be required. If payment of a bonus results in an increase in total compensation in excess of 10%, additional approval is required, as described in the section on Increases in Compensation. In all cases, requests for bonuses must be presented in the context of total compensation—a history of total compensation paid to that staff employee (base wage/salary and bonuses) for a three to five year period. Reports of all bonus compensation will be shared with the university’s senior leadership. Documentation of review and approval may be audited

Bonuses Less Than \$1,000

All bonuses less than \$1,000 require the approval and signature of the appropriate dean, vice president or associate senior vice president.

Bonuses of \$1,000 or More

All bonuses of \$1,000 or more require the approval and signature of the appropriate dean, academic vice president or administrative senior vice president. (For schools and departments reporting to the Provost, the approval of the dean or academic vice president is sufficient; approval by the Provost is not necessary.)

Pay (Cash) Advances

Pay advances are to provide assistance to university benefits-eligible staff employees in cases of unexpected, extreme financial emergency. The emergency must be unexpected, and of such a nature that it cannot be resolved through the services of a lending institution. Examples that are considered bona fide instances of extreme emergencies include death in immediate family, sudden illness or accident involving the employee or members of immediate family and unscheduled departure for off-campus assignment by exempt employees for a duration of more than thirty days. No more than one advance will be granted to a benefits-eligible employee in any six-month period.

The amount of the advance is limited to the accrued net earnings unpaid as of the payroll check request date. “Net earnings unpaid” for non-exempt and exempt employees refers to hours worked and days worked within the pay period, respectively. This limitation is necessary in order to compensate for taxes, FICA and other deductions and to prevent subsequent adjustments for taxes, etc. in the employee’s next check, which could cause a severe hardship.

All pay advances require a memorandum stating the reason for the advance which has been approved by the employee’s dean, vice president or associate senior vice president. The memorandum must be submitted to Payroll Services along with the payroll check request.

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