



## DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

### POLICY 3.05 COMPENSATION

**APPLICATION:** *Classified and wage employees.*

**PURPOSE:**

It is the policy of the Commonwealth to establish, maintain, and administer a compensation plan that will attract and retain a highly skilled, competent, and engaged workforce.

**POLICY SUMMARY:**

The following establishes roles, responsibilities, and the types of pay practices that support this policy.

**1. DHRM RESPONSIBILITIES:**

- a. Makes recommendations to the Governor regarding the establishment and maintenance of a compensation plan for the Commonwealth, monitors agency compliance with the plan, and recommends corrective action when necessary in accordance with its statutory authority.
- b. Develops, implements, and interprets policies, procedures and guidelines on employee compensation.
- c. Establishes and defines the compensation plan and pay administration policies and guidelines.
- d. Provides the Governor and the General Assembly with salary survey results projecting market movement in salaries and pay structure.
- e. Establishes and recommends changes to Pay Band assignments and to differentials and supplements for Roles.
- f. Develops, maintains and publishes salary schedules.
- g. Requires that agencies establish and maintain Agency Salary Administration Plans (ASAP) for internal salary administration that support employee pay actions and policy exception requests.
- h. Approves or disapproves agency's requests for exceptions to the Pay Practices when circumstances justify an action outside the policy's parameters.

## **2. AGENCY RESPONSIBILITIES:**

- a. Ensures that the Agency Salary Administration Plan (ASAP) supports Workforce/ Succession Planning initiatives. The ASAP should note pay practices and initiatives to be used to recruit and retain employees having the skill sets needed to fulfill the agency's mission.
- b. Continuously reviews agency compensation practices and actions to ensure that similarly situated employees are treated consistently and that all aspects of compensation management are conducted without discriminating on the basis of defined protected classes (identified in policy 2.05).
- c. Maintains appropriate records and documentation on compensation actions.
- d. Enters appropriate compensation transactions in the Commonwealth's human resource information system.
- e. Provides documentation requested by DHRM on compensation actions
- f. Provides internal and/or external training opportunities on compensation principles and practices to staff conducting compensation activities.
- g. Conducts market and/or salary alignment studies on a periodic basis as needed.

## **3. COMPENSATION ADJUSTMENTS:**

- a. Employees' salaries will be adjusted as provided in:
  - 1. Relevant provisions of the Appropriation Act (Budget Bill).
  - 2. This policy and other state policies with compensation provisions.

## **PAY PRACTICES:**

Agencies should implement compensation actions prospectively. Compensation actions retroactive more than 90 days should be discussed with DHRM prior to implementation.

Agencies must set or adjust salaries based on the following guidelines. Salary decisions must be documented.

\*Appropriate pay factors must be considered in determining such decisions. See Glossary for identification of pay factors and their definitions.

## **1. STARTING PAY:**

Starting pay guidelines are flexible to attract a highly skilled, competent workforce. Starting pay decisions are the responsibility of individual agencies.

- a. This practice applies to new hires and rehires to the state workforce

- b. Salary negotiations for starting pay consider the Pay Factors and provisions of the Agency's Salary Administration Plan (ASAP).

## **2. PROMOTION:**

Salary negotiations for promotions consider the Pay Factors and provisions of the Agency's Salary Administration Plan.

- a. When an employee is promoted to a position in a different Role in a higher Pay Band, the promotional increase is negotiable from the minimum of the new Salary Range.
- b. Promotional salary must not be below the Salary Range minimum.
- c. The employee's pay may not exceed the maximum of the new assigned Salary Range or the hiring range advertised.
- d. Agencies may approve promotional increases above the hiring range minimum and below the hiring range maximum as long as the resulting salary is within the new Pay Band and the action is supported by the Pay Factors.
- e. Agencies are responsible for ensuring an effective approval process is outlined in the provisions of the Agency's Salary Administration Plan.
- f. Agencies must provide DHRM with documentation when requested.

## **3. VOLUNTARY TRANSFER:**

Salary negotiations for voluntary transfers consider the Pay Factors and provisions of the Agency's Salary Administration Plan. If the hiring range advertised differs from the pay band range, the posted hiring range establishes the lowest and highest possible rates that may be offered.

### **a. VOLUNTARY TRANSFER-COMPETITIVE:**

- 1. When an employee competes for a different position in the same Pay Band, within the same or different agency, the employee's salary is negotiable from the minimum of the assigned Salary Range.
- 2. The position may be in the same or different Role.
- 3. The employee's pay may not exceed the maximum of the assigned Salary Range.
- 4. The negotiated rate may result in a decrease from the applicant's current or most recent salary.
- 5. Agencies must document the pay factors that were considered to ensure that an appropriate salary was offered to secure job acceptance.
- 6. Agencies are responsible for ensuring an effective approval process is outlined in the provisions of the Agency's Salary Administration Plan.

**b. VOLUNTARY TRANSFER-NON-COMPETITIVE:**

1. When an employee requests a transfer to a different position in the same Pay Band, the employee's salary is negotiable from the minimum of the assigned Salary Range. The position must be in the same agency (or another agency under a common parent agency).
2. The position may be in the same or different Role.
3. In some situations, the negotiated salary may be less than the employee's current salary.
4. The increase may not exceed the assigned Salary Range.
5. Agencies must document the pay factors that were considered to ensure that an appropriate salary was offered to secure job acceptance.
6. Agencies are responsible for ensuring an effective approval process is outlined in the provisions of the Agency's Salary Administration Plan.

**4. DEMOTION:**

Salaries for demotion consider the Pay Factors and provisions of the Agency's Salary Administration Plan.

**a. VOLUNTARY:**

1. An employee may request a demotion, which may be as a result of a competitive or non-competitive selection process. Non-competitive voluntary demotions must be within the same agency (or between agencies under a common parent agency).
2. The employee's salary is negotiable from the minimum of the lower pay band up to the employee's current salary, not to exceed the maximum of the assigned Salary Range.
3. If the employee's current salary exceeds the maximum of the lower assigned Salary Range, the agency has the option of freezing the salary for up to six months.
4. After six months the salary must be reduced to the maximum of the assigned Salary Range.

**b. PERFORMANCE OR DISCIPLINARY:**

1. Agency management may initiate a demotion for discipline or performance reasons. (See Policy 1.40, Planning, Performance and Evaluation and Policy 1.60, Standards of Conduct.)
2. A Disciplinary or Performance-related Salary Action accompanies a demotion for disciplinary or performance reasons.

3. When applied to exempt employees, Disciplinary or Performance-related Salary Actions should become effective at the beginning of a workweek.

**a. PERFORMANCE OR DISCIPLINARY – SAME PAY BAND:**

1. The employee may be assigned less responsibility in the same Pay Band.
2. The agency must redefine the duties of the employee to reflect a decrease in level of responsibility.
3. The salary must be reduced a minimum of 5%.
4. The employee may not maintain his or her current salary or receive an increase.

**b. PERFORMANCE OR DISCIPLINARY – LOWER PAY BAND:**

1. The employee may be assigned to a Role in a lower Pay Band.
2. The agency must redefine the duties of the employee to reflect a decrease in level of responsibility.
3. The employee's salary must be reduced to at least the maximum of the lower Pay Band, and may be placed at any salary within the lower Pay Band as long as there is a minimum 5% reduction in pay.
4. The employee may not maintain his or her current salary or receive an increase.

**c. IN LIEU OF LAYOFF:**

1. See Policy 1.30, Layoff.

**5. TEMPORARY PAY:**

- a. Agencies may provide temporary pay to an employee who is assigned different duties at the same or higher level of responsibility on an interim basis, or because of the need for additional assignments associated with a special time-limited project, or for acting in a higher-level position in the same or different Role in the same or a higher Pay Band, or for military pay supplements.
- b. Temporary pay is a non-competitive management-initiated practice paid at the discretion of the agency. The effective date for beginning temporary pay also is at the agency's discretion.
- c. Temporary salary adjustments that may be authorized by agency management consider the Pay Factors and provisions of the Agency's Salary Administration Plan.
- d. Temporary pay is recorded as a special rate with an identified expiration date; it is not incorporated as base pay.

- e. Temporary pay may be extended as necessary when operations warrant the continuation. Extensions beyond a six month period should be carefully assessed.
- f. The temporary pay must be discontinued when the employee no longer performs the additional assignment(s).
- g. The amount of temporary pay shall not be considered as base pay for computation of leave balance payments if the employee separates.

**6. ROLE CHANGE:**

- a. A non-competitive action in which a position is changed to a different Role in a higher, lower, or same Pay Band.
- b. There is no change in position number.
- c. Role changes normally occur when there has been a gradual change of duties which are assigned over an extended period of time or to correct a prior misclassification. Immediate and significant changes in duty assignments should be addressed through the establishment of a new position which is then competed
- d. Salary changes for upward, downward, or lateral Role Changes consider the Pay Factors and provisions of the Agency's Salary Administration Plan.

**1. UPWARD ROLE CHANGE:**

- a. Occurs when a position is changed to a different Role in a higher Pay Band.
- b. Agency management may grant a salary increase.
- c. The salary must be increased at least to the minimum of the higher Pay Band.
- d. The salary increase may not exceed the maximum of the assigned Salary Range.

**2. DOWNWARD ROLE CHANGE:**

- a. Occurs when a position is changed to a different Role in a lower Pay Band.
- b. The employee's salary remains unchanged unless it exceeds the maximum of the lower assigned Salary Range.
- c. If the employee's salary exceeds the lower Salary Range maximum, the salary is maintained for a six-month period, and then must be reduced to the maximum of the assigned Salary Range.

**3. LATERAL ROLE CHANGE:**

- a. Occurs when a position is changed to a different Role in the same Pay Band.
- b. Agency management may grant a salary increase.
- c. The salary increase may not exceed the maximum of the assigned Salary Range.
- d. A salary increase due to a Lateral Role Change is considered similar to an in-band adjustment.

## **7. IN-BAND ADJUSTMENT (IBA):**

- a. A non-competitive pay practice that allows agency management flexibility to provide potential salary growth and career progression within a Pay Band or to resolve specific salary issues.
- b. Salary changes for in-band adjustments consider Pay Factors and provisions of the Agency's Salary Administration Plan.
- c. An employee may receive more than one in-band adjustment (including Lateral Role Change) within a fiscal year.
- d. The employee's base salary must not exceed the maximum of the assigned Salary Range when the in-band adjustment is added to base salary.
- e. Employees at the maximum of their assigned salary ranges are not eligible for in-band adjustments.

*NOTE:* In some cases, agencies may wish to provide compensation to employees in a form that is not included in an employee's base pay. In-Band Bonuses provide an avenue for agencies in such situations. See "Non-Base Pay Options" below.

### **1. IN-BAND ADJUSTMENT – CHANGE IN DUTIES:**

An increase may be granted to employees who assume new higher-level duties and responsibilities that are critical to the operations of an agency.

### **2. IN-BAND ADJUSTMENT – PROFESSIONAL/SKILL DEVELOPMENT:**

An increase may be granted to employees who apply new knowledge and skills that benefit the agency and are acquired through job-related training, education, certification, and/or licensure.

### **3. IN-BAND ADJUSTMENT – RETENTION:**

An increase may be granted to prevent employees from seeking employment outside the agency including:

- a. Employees in occupations that have high value in the labor market when salaries have not been competitive with the marketplace. In such cases, the adjustment is normally granted to all employees in a particular occupation or functional area to avoid turnover.
- b. Individual employees who are assigned to key functions.

### **4. IN-BAND ADJUSTMENT – INTERNAL ALIGNMENT:**

An increase may be granted to align an employee's salary more closely with those of other employees' within the same agency who have comparable levels of training and experience, similar duties and responsibilities, similar performance and expertise, competencies, and/or knowledge and skills.

## **8. COMPETITIVE OFFER:**

- a. Agencies may provide competitive salary adjustments to employees who are deemed critical to the agency's mission and on-going operations when the employee receives a job offer from another state agency (internal competitive salary offer), or from outside of state government or other entities not subject to the Virginia Personnel Act (external competitive salary offer).
- b. A competitive offer may not occur within an agency.
- c. When providing competitive salary adjustments, agencies should consider the following guidelines:

1. Determine that the written offer or other verification is legitimate; and
2. Assess the criticality of retaining the employee, the impact on agency operations if the employee separates, and the difficulty in recruiting to replace the employee.
3. Consider the impact on internal alignment with salaries for employees in comparable positions if the offer is matched.
  - a. **INTERNAL COMPETITIVE SALARY OFFER:**
    1. When an employee receives a higher salary offer in the same or higher Pay Band from another state agency, there can be only one counter offer from the current agency.
    2. The amount of the competitive offer may not exceed the amount of the job offer from the other agency, or the maximum of the current assigned Salary Range.
    3. The other state agency may not make a second offer in response to the current agency's counter-offer.
    4. At agency discretion, employees may return to their former position within thirty days at their former annual salary or at the salary offered by the former agency in the competitive offer process.
  - b. **EXTERNAL COMPETITIVE SALARY OFFER:**
    1. When an employee receives a salary offer from an organization external to the Commonwealth (private, not-for-profit, public non-state agency, or State non-classified), the employing agency may make a competitive offer not to exceed the amount of the job offer, or the maximum of the assigned Salary Range.
    2. If an agency accepts an employee's request to rescind his or her resignation within 30 calendar days of separation, the employee's salary may be reinstated at an amount held at the time of separation or at the salary offered by the agency in the competitive offer process.

#### **NON-BASE PAY OPTIONS:**

Non-Base Pay Options allow agencies to provide payment, leave, or non-monetary items to employees (see Attachment B). These pay options or programs include In-Band Bonuses, Awards for Length of Service and Employee Recognition Programs (see Policy 1.15)

#### **1. IN-BAND BONUSES:**

In-Band Bonuses allow agencies flexibility to provide additional compensation to employees without adjusting employees' base pay. Agencies should consider the Pay Factors and provisions of the Agency's Salary Administration Plan when providing in-band bonuses.

Bonuses offer an option when:

- a. a bonus is more appropriate than a base pay adjustment; or
- b. management is addressing budget constraints but is able to fund non-base adjustments in the current fiscal year.
- c. In-Band Bonuses may be provided for the following reasons:

1. Change in duties
2. Professional/Skill Development
3. Retention
4. Internal Alignment

*NOTE:* In-Band Bonuses for changes in duties or internal alignment should be used only when, due to budget constraints, the agency requires time to develop budget options to fund base pay adjustments.

- d. An employee may receive more than one in-band bonus (or in-band adjustment or Lateral Role Change) within a fiscal year.

**EXCEPTIONAL RECRUITMENT AND RETENTION INCENTIVE OPTIONS:**

Exceptional incentive options are reserved exclusively for situations where employees are extremely difficult to recruit and retain and critical to the agency's mission and ongoing operations. (See Exceptional Recruitment & Retention Incentive Options Chart.)

These practices apply to new hires to state government (recruitment) and current employees (retention).

All salary actions require consideration of the Pay Factors.

Agencies may use these options individually or select a number of options to use in combination with each other.

Agencies may use these options in conjunction with the Commonwealth's pay practices when appropriate.

Agencies determine whether positions, Roles and/or Career Groups are to be provided Exceptional Recruitment and Retention Incentive Options. This determination is based on criticality to agency mission, significant recruitment and retention difficulties, and similarity to incentives used in the related labor market.

Agencies choosing to use Exceptional Recruitment and Retention Incentive Options must coordinate these options with the appropriate Cabinet Secretary and notify the Department of Human Resource Management (DHRM).

Agencies should decide on an internal approval process to access these Exceptional Recruitment and Retention Incentive Options and address this in the Agency Salary Administration Plan.

Agencies must review and reevaluate the need to continue these Exceptional Recruitment and Retention Incentive Options at least annually based on market availability and the type of competition that exists in the labor market. (See Human Resource Management Manual, Appendix I.)

**a. SIGN-ON BONUS:**

Sign-On Bonuses are used to encourage individuals to accept employment in specific critical positions, Roles, or Career Groups.

1. Agencies must identify positions, Roles and/or Career Groups eligible for a sign on bonus.
2. Agencies may offer a sign-on bonus of up to \$10,000 to new employees who accept employment in these positions.
3. The new employee must agree to work for the Commonwealth and remain with the employing agency for a period up to one year.

4. Agencies must establish a schedule of payment, either one lump sum payable at hiring or divided into two or more payments.
5. A formal written agreement<sup>1</sup> must be executed with each employee and must include requirements for satisfactory performance, duration of employment, and payback terms if the agreement is not met.

**a. ADDITIONAL PROVISIONS FOR SIGN-ON BONUS - STUDENT LOAN REPAYMENT:**

1. This is a one-time bonus available to new hires/re-hires in specified positions as designated in the Agency Salary Administration Plan.
2. Re-hires who have previously received a student loan repayment bonus are ineligible for additional student loan repayment bonuses.
3. Employees who transfer from one state agency to another are ineligible for an additional Sign-On Bonus - Student Loan Repayment.
4. Newly hired employee must provide proof of qualifying debt.
5. The agency makes payments of the bonus directly to the creditor.
6. Payments may be made in a lump sum or in multiple payments not exceeding a total of \$10,000, consistent with the terms of the agreement.
7. The employee must promptly inform the agency of any changes if the loan is reassigned to a different creditor.

**b. ADDITIONAL PROVISIONS FOR SIGN-ON BONUS – 529 COLLEGE SAVINGS PLAN CONTRIBUTION:**

1. This is a one-time bonus available to new hires/re-hires in specified positions as designated in the Agency Salary Administration Plan.
2. Re-hires who have previously received a 529 College Savings Plan Contribution bonus are ineligible for additional 529 College Savings Plan Contribution bonuses.
3. Employees who transfer from one state agency to another are ineligible for an additional Sign-On Bonus – 529 College Savings Plan Contribution.
4. Newly hired employees must provide proof of enrollment in or open an Invest 529 account with the Virginia 529 program.
5. The agency makes payments of the bonus directly to the Invest 529 account.
6. Payments may be made in a lump sum or in multiple payments not exceeding a total of \$10,000, consistent with the terms of the agreement.
7. The employee must promptly inform the agency of any changes in the 529 plan participation or account during the terms of the payment(s) of the bonus.

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<sup>1</sup>NOTE: Before an agency enters into an agreement, the agreement template should be reviewed and approved by the Office of the Attorney General.

**b. RETENTION BONUS:**

Retention Bonuses are used to encourage current employees to remain in specific critical positions, Roles, or Career Groups.

1. Agencies must identify positions, Roles and/or Career Groups eligible for a retention bonus.
2. Agencies may offer a retention bonus of up to \$10,000 during a fiscal year to current employees.
3. The employee must agree to work for the Commonwealth and remain with the employing agency for a period up to one year.
4. Agencies must establish a schedule of payment, either one lump sum payable at hiring or in multiple payments.
5. A formal written agreement<sup>2</sup> must be executed with each employee and must include requirements for satisfactory performance, duration of employment, and payback terms if the agreement is not met.

**a. ADDITIONAL PROVISIONS FOR RETENTION BONUS - STUDENT LOAN REPAYMENT :**

1. This is a one-time bonus available only to current employees in specified positions as designated in the Agency Salary Administration Plan.
2. Current employees who have previously received a student loan repayment bonus are ineligible for additional student loan repayment bonuses.
3. Employees who transfer from one state agency to another are ineligible for additional student loan repayment bonuses.
4. The employee must provide proof of qualifying debt.
5. The agency makes payments of the bonus directly to the creditor.
6. Payments may be made in a lump sum or in multiple payments, consistent with the terms of the agreement.
7. The employee must promptly inform the agency of any changes if the loan is reassigned to a different creditor.

**b. ADDITIONAL PROVISIONS FOR RETENTION BONUS-529 COLLEGE SAVINGS PLAN:**

1. This is a one-time bonus available only to current employees in specified positions as designated in the Agency Salary Administration Plan.
2. Current employees who have previously received a 529 college savings plan contribution bonus are ineligible for additional 529 college savings plan contribution bonuses.
3. Employees who transfer from one state agency to another are ineligible for an additional 529 college savings plan contribution bonuses.

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4. The employee must provide proof of enrollment in an Invest 529 account with the Virginia 529 program.
5. The agency makes payment(s) of the bonus directly to the Invest 529 account.
6. Payments may be made in a lump sum or in multiple payments, consistent with the terms of the agreement.
7. The employee must promptly inform the agency of any changes in the 529 plan participation during the terms of the payment(s) of the bonus.

**c. PROJECT-BASED INCENTIVES:**

Project-Based Incentives are used to encourage individuals in specific positions, Roles, or Career Groups to remain employed for the duration of key projects that are critical to the agency's operation or mission.

1. Agencies must determine valid projects that are critical to the agency's operations or mission, identify participants (positions, Roles, and/or Career Groups) eligible for the incentive bonus, and develop project plan/milestones to identify the timing of payments.

*NOTE:* Agencies should use the PSP100 transaction code in the Personnel Management Information System (PMIS) to identify projects that are eligible for Project-Based Incentives.

2. Project-Based Incentives may be paid at the completion of the project, or in increments upon the completion of identified milestones. The amount an employee can receive for a Project-Based Incentive may not exceed \$10,000 per project. More than one project incentive may be awarded within a fiscal year.
3. The employee must agree to work for the Commonwealth and remain with the employing agency for a period of one year or more, depending on the length of the project.
4. A formal written agreement<sup>3</sup> must be executed with each employee and must include requirements for satisfactory performance, duration of employment, and payback terms if the agreement is not met.

**d. COMPENSATORY LEAVE:**

Compensatory Leave incentives are intended to encourage employees to remain in specific critical positions, Roles or Career Groups.

1. Agencies must identify positions, Roles and/or Career Groups eligible for compensatory leave incentives.
2. Agencies may extend indefinitely the time period for compensatory leave to be used by employees who occupy these positions.

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<sup>3</sup>*NOTE:* Before an agency enters into an agreement, the agreement template should be reviewed and approved by the Office of the Attorney General.

3. Agencies must document any extensions authorized and retain information in the agency files.
4. Agencies may pay off compensatory leave balances to this designated group of employees rather than allowing the time to accrue.

**e. ANNUAL LEAVE:**

Annual Leave incentives include: providing additional annual leave, advancing annual leave based on repayment from future accruals, or paying employees for a portion of their existing annual leave balances. These incentives are intended to encourage individuals to accept or continue employment in or current employees to remain in critical positions, Roles, or Career Groups.

1. Agencies must identify positions, Roles and/or Career Groups eligible for annual leave incentives.
2. Agencies may provide up to 30 days (240 hours) of annual leave per leave year to new and existing employees as an incentive to accept or continue employment, or to retain employees in these positions. For new employees, agencies should negotiate the exact amount of annual leave that will be provided at the beginning of employment and enter this amount into the leave system.
3. Agencies may advance annual leave, up to 30 days (240 hours), rather than providing additional annual leave. In such cases further leave accrual would be delayed until the employee has worked enough pay periods to have earned the amount of leave advanced.
4. Agencies may elect to pay off any existing accrued annual leave hours, negotiating with the employee the amount of leave balances to be paid. Agencies should encourage employees to retain an annual leave balance to cover unforeseen situations that may arise and in which the employee may need to use this leave time.
5. A formal written agreement<sup>4</sup> must be executed with each employee and must include requirements for satisfactory performance, duration of employment, and payback terms if the agreement is not met.

**E. REFFERAL PROGRAM:**

Referral Programs are intended to encourage current employees to refer individuals as applicants for critical positions, Roles, or Career Groups.

1. Agencies must identify positions, Roles and/or Career Groups eligible for referral program incentives.
2. Agencies may implement a Referral Program in which agency employees are eligible to receive a payment of up to \$1,500 for referrals that result in hiring external job applicants in these positions.
3. External job applicants are those who are not employed by any agency in any branch of Virginia state government. Referred applicants must not have an active job application

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<sup>4</sup>NOTE: Before an agency enters into an agreement, the agreement template should be reviewed and approved by the Office of the Attorney General.

on file with the agency.

4. Agencies may determine the payment schedule, whether paid as a lump sum or several payments, for referral bonuses; e.g., one half of the referral payment may be paid once the applicant has been hired and begins work, with the remainder paid once the applicant completes the probationary period.
5. To receive payment, referring employees must be employed in classified positions and working in a state agency at the time the referral payments are due. If bonuses are scheduled over several payments, the referring employee must still be working as a classified employee in a state agency to receive any subsequent payments.
6. Hiring managers/supervisors and agency recruiting staff are not eligible to participate in the referral program.
  - a. The following procedures shall be followed when implementing the Referral Program.
    1. The referring employee forwards written notification of the referral with application/resume of the applicant to the agency's Human Resource office.
    2. The Human Resource office confirms the referral in writing.
    3. Once an applicant is hired and begins work, the Human Resource office obtains authorization for the referral payment(s), verifies the referring employee's eligibility, and forwards the information to the agency payroll office.

*NOTE:* In cases where referrals were made by employees of other agencies, the agency should forward this information, along with the funds for the referral payment, to the fiscal office of the referring employee's agency. Payment then is made to the employee from these funds. If payments are made in multiple payments, the Human Resource office authorizes any subsequent referral payments as described above in accordance with the agreement.

#### **F. REASSIGNMENT WITHIN THE PAY BAND:**

From time-to-time agency business (staffing or operational) needs may require the movement of staff. Reassignment Within the Pay Band is the management-initiated action that is used for this purpose. Under Reassignment Within the Pay Band:

1. Employees may be moved (reassigned) to different positions within the same assigned Salary Range.
2. The position to which an employee is reassigned may be in the same or a different Role within the same Salary Range.
3. The employee's base salary is not changed as a result of the reassignment.

#### **G. RE-BANDING:**

When an agency is experiencing staffing problems for a Role, a request for Re-banding may be proposed to DHRM or the General Assembly may initiate a study. The Human Resource Management Manual provides guidelines.

1. The effective date for Re-banding normally will be June 25, unless a different effective date is approved by the Secretary of Administration and the Secretary of Finance because of an emergency situation.
2. Employee increases will be determined cooperatively by DHRM and the affected agency(ies) based on the severity of the problem and available funding.

## **H. DIFFERENTIALS :**

Differentials are authorized by DHRM to provide payments as base pay adjustments to make salaries more competitive with the market.

1. Differentials may be applied to Roles, Standard Occupational Classification (SOC) Titles, Work Titles, or Pay Areas or be based on geographic locations.
2. Authorized differentials include:
  - a. Competitive differentials based on local market conditions. (Although this issue may be addressed through other means such as Alternate Bands.)
  - b. Out of State differentials that apply to individuals hired by the Commonwealth in areas outside Virginia.
3. Proposals for additional differentials must be submitted to DHRM with appropriate documentation. (Refer to the Human Resource Management Manual, Chapter 9 for additional information about differentials.)
4. Discontinuing Differentials:
  - a. When an employee moves from one position to another, any differential that might apply to the former position is removed if it does not apply to the new position.
  - b. When a differential is discontinued because it no longer applies to the Role, SOC Title, Work Title, Pay Area or geographic location, etc., employees affected by the change will retain their current salaries.
  - c. Employees whose salaries are at or above the new, reduced Pay Band maximum will be frozen until the Role is re-banded or Pay Band adjustments allow for additional salary increases.

## **I. SUPPLEMENTS:**

Supplements are non-base-pay payments that apply to specific positions under certain circumstances.

1. Supplements apply to situations where employees are doing something in addition to what is normally expected of employees in similar jobs.
2. Supplements are designed to address unique needs of an agency and often reflect market practices used for similar jobs.
3. Supplements are not added to an employee's base pay, but are processed through payroll as "special payments."
4. DHRM authorization is not needed for agencies to use the supplements listed below. However, if an agency desires to implement other types of supplements, information on

the desired supplement must be submitted to DHRM prior to implementation. This will allow DHRM to determine the potential for statewide impact.

**TYPES OF SUPPLEMENTS:**

1. **Call-Back Pay** - If employees are called back to work during non-work hours, agencies may choose to pay them for a minimum number of hours, even though the employee actually may have worked less than the specified minimum time.
2. **Camp** - Supplement paid to employees for days spent at summer camp supervising the activities of mentally disturbed children.
3. **Medication** - Supplement paid for hours or shifts spent dispensing medication by employees who have completed required training - but whose Roles do not normally require dispensing medication.
4. **On-Call** - Agencies may choose to provide this supplement to employees who are required to be available to return to work.
  - a. For non-exempt employees, if the on-call assignment is so restrictive that it prevents the employee from effectively using the time for personal benefit, the time may be considered work time and on-call payments do not apply.
  - b. Otherwise, on-call duty is not considered work time.
  - c. On-call pay must be included in the non-exempt employee's regular rate of pay when computing overtime liability.
5. **Shift Pay** - This supplement generally is used when an agency has a demonstrated need based on staffing problems or market conditions for shifts that do not conform to the first shift, or 8:00 a.m. to 4:00 p.m. The amounts may vary depending on the shift assignment and whether employees are assigned fixed or rotating shifts.
6. **Working Conditions** - This supplement may be provided to employees who have unusual risks associated with their positions that exceed the risks normally associated with the work environment of state employees.

**b. DOCUMENTING SUPPLEMENTS:**

Agencies should maintain documentation that supports:

1. The rationale for the supplement;
2. The circumstances under which the supplement will be paid; and
3. The amount of the supplement.

**J. RETURN TO STATE SERVICE:**

1. **Resignation:** All former employees' salaries will be established according to the Starting Pay provisions of this policy.

*Exception:* Employees returning to state service after resigning for military reasons may have their salaries established according to the provisions of Policy 4.50, Military Leave. (Also, refer to Policy 1.55, Return to State Service.)

- 2. Leave Without Pay (LWOP) Conditional (Position Not Held) Or LWOP Unconditional (Position Held):**
  - a. Return to the same position results in a salary equivalent to that held at the time of LWOP.
  - b. An agency may provide a higher salary if the employee has attained significant experience or training in the same or similar occupation while on LWOP.
  
- 3. Virginia Sickness And Disability (VSDP):**
  - a. Short Term Disability - Return to the same position results in a salary equivalent to that held at the time of short-term disability, including any increases for which the employee may be eligible.
  - b. Long Term Disability (Working) - Return to active employment (as defined by the VSDP) in the employee's position results in a salary equivalent to that held prior to long-term disability, including any increases for which the employee may be eligible.
    1. For VSDP purposes, active employment will be considered when there is:
      - a. full-time return to the original job with modified duties; or
      - b. at least 50% return to the original job with or without modified duties.
  
- 4. Long Term Disability:**

Return to classified employment from LTD when the employee has been separated must be through the competitive recruitment process.

  - a. Former employees' salaries will be set according to the Starting Pay provisions of this policy.
  - b. However, when an employee is medically released as fully able to return to work, the agency may reinstate the employee to the position and salary held prior to disability without competitive recruitment. Such placement may occur under the following conditions:
    1. placement is made within a reasonable timeframe;
    2. the employee's position has not been filled; and
    3. the agency considers the position to be a valid vacancy.
  
- 5. Return From Layoff:** See provisions of Policy 1.30, Layoff.
  
- 6. Return From Military Leave:** See provisions of Policy 4.50, Military Leave.

#### **AUTHORITY & INTERPRETATION:**

Title 2.2 of the Code of Virginia

The Director of the Department of Human Resource Management is responsible for official interpretation of this policy, in accordance with §2.2-1201 of the Code of Virginia. The Department of Human Resource Management reserves the right to revise or eliminate this policy.

**RELATED POLICIES:**

Policy 1.30, Layoff

Policy 1.40, Performance Planning and Evaluation

Policy 1.55, Return to State Service

Policy 1.60, Standards of Conduct

Policy 2.05, Equal Employment Opportunity

Policy 2.10, Hiring

Policy 3.10, Compensatory Leave

Policy 4.10, Annual Leave

Policy 4.50, Military Leave

Policy 4.57, Sickness and Disability Program

**POLICY HISTORY:**

|                       |        |  |
|-----------------------|--------|--|
| <b>Revision Date:</b> | 7-1-19 | Replaces Compensation Policy 3.05 9/25/00, 4/25/05, 6/1/18, 1/1/19 |
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## DEPARTMENT OF HUMAN RESOURCE MANAGEMENT

### ADMINISTRATIVE PROCEDURES

#### GLOSSARY

Pay Factors are asterisked.

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| <b>Agency Business Need*</b>                    | This is one of the Pay Factors used for pay determination purposes. Agency Business Need describes the specific activities and organizational, financial, and human resource requirements that are derived from the agency's mission.   |
| <b>Agency Salary Administration Plan (ASAP)</b> | This document outlines how agencies will implement the Compensation Management System and is the foundation for ensuring the consistent and equitable application of pay decisions. The Agency Salary Administration Plan addresses the agency's internal compensation philosophy and policies; responsibilities and approval processes; recruitment and selection process; performance management; administration of pay practices; program evaluation; appeal process; EEO considerations and the employee communication plan. Agencies should review the plan periodically to ensure its continued conformance to state policy and applicability to the agency's mission and organizational needs. |
| <b>Alternate (Pay) Band</b>                     | (See Salary Range.) A salary range assigned to one or more positions based on agency needs or an approved Competitive Differential. (See Human Resource Management Manual, Chapter 9, Differentials and Supplements.)   |
| <b>Budget Implications*</b>                     | This is one of the Pay Factors used for pay determination purposes. Budget Implications consider the short and long-term financial consequences of pay decisions and how salary dollars are managed by an agency.   |
| <b>Competitive Differential</b>                 | Competitive differentials are based on local market conditions and are typically reflected through an Alternate Pay Band, which extends the minimum and maximum salaries of an existing pay band. Competitive differentials are administered as a percentage of base pay that may be added to the pay band to address a particular position, Work Title, Standard Occupational Classification (SOC) or Role because the normal salary range is not competitive due to market conditions in a specific agency and/or geographic location. They may apply to locations in either the statewide (SW) Pay Area or the northern  |

Virginia (FP) Pay Area. (See Differentials.)

**Competitive Salary Offer**

External: This Pay Practice allows agency management to counter a higher salary offered by an organization outside the Commonwealth to an employee deemed critical to the agency.

Internal: This Pay Practice allows agency management to make one counter offer to a higher salary offered by another state agency to an employee deemed critical to the agency's mission and operations.

NOTE: A competitive offer may not occur within an agency.

**Current Salary\*\***

This is one of the pay factors used for pay determination purposes.\* Current Salary is the candidate's or incumbent's present base pay compensation, which may be reported as an hourly wage, weekly, semi-monthly, monthly or annual salary. It does not include shift differentials, temporary pay, benefits, overtime, incentives, bonuses, or other similar non-base pay compensation.

*Note: \*\*This factor is used for pay actions related to demotions and downward role changes.*

**Demotion**

Voluntary: Employee initiated movement to a different position in a lower Pay Band. This move may result from a competitive (recruitment) or non-competitive (employee request) process.

Performance or disciplinary: Management initiated assignment of an employee to the same or a different position in the same or lower Pay Band with less job responsibilities that results in a minimum of a 5% reduction in base salary.

**Differentials**

Base pay adjustments to make salaries more competitive with the market. Differentials may be applied to Roles, Standard Occupational Classification (or SOC) Titles, Work Titles, Pay Areas, or individual positions in an agency and/or geographic location.

**Disciplinary or Performance-Related Salary Action**

This Pay Practice is initiated by agency management for disciplinary or performance reasons and results in a minimum of a 5% reduction in base salary. (See Demotion: Performance or Disciplinary.)

**Duties And Responsibilities\***

This is one of the Pay Factors used for pay determination purposes. Duties and Responsibilities describe the primary and essential work functions performed by an employee or group of employees. Variation in duties and responsibilities helps distinguish one employee from another for comparison purposes.

**Exceptional Recruitment and Retention**

Exceptional Recruitment and Retention Incentive Options may be applied when there are significant recruitment and retention problems for positions that are critical to the agency's mission and on-going

**Incentive Options**

operations. These options include sign-on bonus, retention bonus, project-based incentives, compensatory leave, annual leave, and referral program.

**Hiring Range**

A segment of the pay band included, at agency option, in job advertisements to communicate the salary the agency is willing or able to pay current or potential employees, and used exclusively in the hiring process. When a hiring range is used, the minimum/maximum of the hiring range rather than the minimum/maximum of the pay band range establishes the parameters for salary rates that may be offered. (See Salary Range.)

**In-Band Adjustment**

This multi-faceted Pay Practice allows agency management the flexibility to adjust employees' salaries on the basis of Change in Duties, Professional/Skill Development, Retention, and Internal Alignment.

In-Band Adjustments provide employees potential salary growth by recognizing career progression, and provide management with tools to resolve specific salary issues.

**In-Band Bonus**

A pay option that allows an agency to provide a lump-sum payment in lieu of a base pay adjustment to an employee for changes in duties, the application of new knowledge, skills or abilities, retention, or internal salary alignment.

**Internal Salary Alignment\***

This is one of the Pay Factors used for pay determination purposes. Internal Salary Alignment is a fairness criterion that takes into consideration the proximity of one employee's salary to the salaries of others who have comparable levels of training and experience; duties and responsibilities; performance; and knowledge, skills, abilities and competencies.

**Knowledge, Skills, Abilities And Competencies\***

This is one of the Pay Factors used for pay determination purposes. Knowledge refers to acquired principles and practices related to a particular job; Skills refer to acquired psychomotor behaviors; and Abilities are the talents, observable behaviors or acquired dexterity. Competencies are behaviors, knowledge and skills that directly and positively impact the success of the employee. Together KSA's are the elements listed for job requirements, hiring qualifications or employee credentials. Additionally, KSA's are a job evaluation consideration for the Compensable Factor, Complexity of Work and the application of acquired KSA's are essential to the In-Band Adjustment (Professional and Skill Development) pay practice.

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| <b>Leave Without Pay</b>    | Leave of absence exceeding 14 consecutive calendar days.   |
| <b>Long Term Impact*</b>    | This is one of the Pay Factors used for pay determination purposes. Long Term Impact considers the strategic and financial effect of anticipated future salary costs, staffing changes, salary alignment among employees, career growth and salary reference data changes.   |
| <b>Market Availability*</b> | This is one of the Pay Factors used for pay determination purposes. Market Availability is the relative availability of suitable, qualified candidates in the general labor market that is subject to the changes in supply and demand.  |
| <b>Non-Base Pay Options</b> | Pay options or programs such as In-Band Bonuses, Employee Recognition Programs, or Service Awards, that provide lump-sum payments, leave or non-monetary items to employees. Non-Base Pay Options are not included in the calculation of base pay but are considered part of an employee's total compensation.   |
| <b>Pay Area</b>             | The Commonwealth's pay plan recognizes two distinct pay areas (1) Statewide (SW) and (2) Northern Virginia (FP), where market conditions require the use of expanded pay ranges. The Statewide Pay Area (SW) applies to positions in all localities in the state except those designated in northern Virginia. The northern Virginia Pay Area (FP) applies to positions located in the counties of Fairfax, Arlington, Prince William and Loudon – and the cities of Alexandria, Fairfax, Falls Church, Manassas, and Manassas Park. |
| <b>Pay Band</b>             | (See Pay Structure and Salary Range.)  |
| <b>Pay Factors</b>          | These factors are considered by managers for determining and justifying pay actions and include Agency Business Need; Duties and Responsibilities; Performance; Work Experience and Education; KSAs and Competencies; Training, Certification and Licensure; Internal Salary Alignment; Market Availability, Salary Reference Data; Total Compensation, Budget Implications; Long Term Impact; and Current Salary (limited application).   |
| <b>Pay Practices</b>        | These practices provide the rules for setting and changing compensation and include Starting Pay, Promotion, Voluntary Transfer, Voluntary Demotion, Temporary Pay, Role Change, In-Band Adjustment, Disciplinary or Performance-Related Salary Action, and Competitive Offer. (See Attachment A.)   |
| <b>Pay Structure</b>        | The structure of Pay Bands established by the Commonwealth. This structure consists of 9 stepless Pay Bands.   |

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| <b>Performance*</b>                     | <p>This is one of the Pay Factors used for pay determination purposes. Performance considers previous and/or current work accomplishments or outcomes and behavioral interactions that are assessed as part of the Performance Management Program.</p> <p>NOTE: All management-initiated salary increases normally are reserved for employees performing at the “contributor” or “extraordinary contributor” level.</p> |
| <b>Promotion</b>                        | <p>This pay practice allows the advancement of an employee to a different position in a higher Pay Band through a Competitive Selection Process.</p>  |
| <b>Reassignment Within The Pay Band</b> | <p>Action of agency management to move an employee from one position to a different position in the same Role or Pay Band.</p>  |
| <b>Re-Banding</b>                       | <p>This action involves the movement of a Role to a higher Pay Band due to extreme changes in the labor supply or market conditions. Such actions will occur infrequently because of the Pay Band structure.</p>  |
| <b>Role Change</b>                      | <p>This pay practice allows agency management to change a position to a different Role in a higher, (Upward Role Change), lower (Downward Role Change), or same (Lateral Role Change) Pay Band. This action typically reflects a gradual change in duties assigned.</p>   |
| <b>Salary Range</b>                     | <p>The pay range assigned to a position for purposes of recruitment, Pay Practices, and compensation administration. A salary range may be the Pay Band; an Alternate Band; a Sub-Band; a Northern Virginia (FP) Expanded Range; or, for competitive recruitment actions, a hiring range, as determined by the agency.</p>  |
| <b>Salary Reference Data*</b>           | <p>This is one of the Pay Factors used for pay determination purposes. Salary Reference Data is a composite of relevant salary information (e.g. average salary range, median salary, weighted average salary, etc.) extracted from available surveys that indicate market pricing for various jobs in the Commonwealth.</p>  |
| <b>Starting Pay</b>                     | <p>This Pay Practice is used to attract highly skilled and competent job candidates (new hires or rehires) to the Commonwealth’s workforce.</p>   |
| <b>Sub-Band</b>                         | <p>A portion of an existing Pay Band that has a defined minimum and maximum salary within that Pay Band. A Sub-Band is a tool used to manage employees’ salaries within Pay Bands based on agency need. Sub-Bands may be established at agency discretion in accordance with the agency’s Salary Administration Plan. (See Salary Range.)</p>   |

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| <b>Supplements</b>                          | Payments that apply to specific positions designed to address unique needs of the agency. Supplements are not added to an employee's base pay. They are paid only when the employee performs the tasks associated with the supplement.  |
| <b>Temporary Pay</b>                        | This Pay Practice applies when an agency assigns an employee to perform different key (essential) duties on an interim basis, or for critical assignments associated with a special time-limited project, or for employees serving in an acting capacity in a higher level position, or for military pay supplements. Temporary pay is not added to an employee's base pay.   |
| <b>Total Compensation*</b>                  | This is one of the Pay Factors used for pay determination purposes. Total Compensation includes all forms of cash compensation (e.g. base pay, shift differentials, overtime, on-call pay, bonuses, commission, etc.) and the dollar value of the employer-sponsored benefit package (e.g. health and dental insurance, long and short term disability, paid leave, retirement, life insurance, etc.).  |
| <b>Training, Certification And License*</b> | This is one of the Pay Factors used for pay determination purposes. Training refers to a specialized course of instruction outside the realm of recognized academic degree programs. Certification refers to a specialized course of study resulting in a certificate upon successful completion. License refers to a licensing credential that is required by law to practice one's occupation.  |
| <b>Voluntary Transfer</b>                   | This personnel action occurs when an employee moves to a different position within the same or different Role within the same Pay Band. Voluntary Transfers may be accomplished through a Competitive or Non-competitive Process.<br><br>NOTE: Non-competitive transfers must be within the same agency or between agencies under a common parent agency. Transfers between <i>different</i> agencies must be accomplished through a competitive process. |
| <b>Work Experience And Education*</b>       | This is one of the Pay Factors used for pay determination purposes. Work Experience and Education refers to the relevant employment history and academic qualifications of the employee or applicant.   |

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