

PALM BEACH STATE COLLEGE

DISTRICT BOARD OF TRUSTEES MEETING Board Workshop Minutes of August 9, 2016 – 3:00 p.m. Multi-Media Board Room (CE 129), Lake Worth, Florida

Attendees	Title
<i>District Board of Trustees</i>	
Wendy S. Link, Esq.	Chairperson
Charles K. Cross, Jr.	Vice Chairperson
John W. Dowd, III	Trustee
Carolyn L. Williams	Trustee
David Hernandez	Student Trustee
<i>Cabinet Members</i>	
Ava L. Parker, J.D.	President
Dr. Peter Barbatis	VP, Student Services & Enrollment Mgmt.
Richard Becker	VP, Admin. & Business Services
Dr. Ginger Pedersen	VP, Information Services
Dr. Roger Yohe	VP, Academic Affairs
Suellen Mann	Executive Director, Foundation
Rachael Ondrus	ED, Community Engagement & Special Assist to the President
Dr. Grace Truman	Director, College Relations & Marketing
Dr. Holly Bennett	VP, Institutional Effectiveness & Provost, Palm Beach Gardens
Dr. Bernadette Russell	VP, e-Learning & Provost, Boca Raton Campus
Dr. Maria Vallejo	VP, Growth and Expansion & Provost, Belle Glade & Lox Groves
<i>Consultant</i>	
Lori Holsinger, Ph.D.	Principal at Mercer, a human resources consulting firm

Purpose of Workshop

Incentive Pay for employees of Palm Beach State College

Meeting Call to Order and Pledge of Allegiance by Chairperson

Chairperson Link called the meeting to order at 3:05 p.m. and led the Pledge of Allegiance.

Opening Remarks

Chairperson Link welcomed attendees.

President Parker explained that today's presentation and discussion will focus on pay for performance market trends and practices from a national perspective in an effort to assist the College in its decision making to implement a well-thought-out evaluation system and incentive pay mechanism to fairly compensate employees based on work performance.

Incentive Pay Overview

Lori Holsinger, Ph.D., delivered a presentation on Pay for Performance Market Trends which included the following:

- Pay for performance defined
- Market pay for performance trends and research
- Palm Beach State College: Current state and potential future state discussion

Dr. Holsinger's presentation is attached.

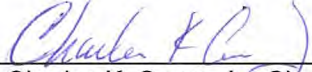
Board discussion occurred. Dr. Holsinger and Barb Matias addressed the Board's questions.


Barb Matias agreed to provide the Board with separate annual totals for a 5-year period of the College's voluntary and involuntary leave noted on page 36 of the PowerPoint presentation.

At the conclusion of the discussion, the Board directed staff to review the information and comments and provide a recommendation on incentive pay for the College.

Adjournment

Meeting adjourned at 5:04 p.m.

Attest: 
Charles K. Cross, Jr., Chairperson


Ava L. Parker, J.D., President

HEALTH WEALTH CAREER

PALM BEACH STATE COLLEGE COMPENSATION DISCUSSION

PAY FOR PERFORMANCE MARKET TRENDS AND PRACTICES

August 9, 2016

Lori Holsinger, Ph.D.

MERCER TODAY

28,000 CLIENTS

\$4.35B IN REVENUE

70 YEAR HISTORY

+21,000 COLLEAGUES

130 COUNTRIES

110 MILLION
LIVES TOUCHED

LORI HOLSINGER, PH.D.



Lori is a Principal in Mercer's Talent Business, specializing in helping companies manage talent to drive individual, team and company performance.

With more than 15 years of experience, Lori has a proven track record of partnering with a variety of clients on a number of leadership and talent management issues including talent strategy, leadership assessment and succession planning, performance management, career path management and development, workforce/job architecture, broad-based compensation management, linking pay and performance, and training.

Her higher education clients have included the Board of Regents of University System of Georgia, Baylor College of Medicine, Florida International University, Medical University of South Carolina (MUSC), Northeast Ohio Medical University (NEOMED), Nova Southeastern University, Purdue University, Stanford University, and UC California. Lori also has experience with clients in higher education-related entities including Duke University Health Systems, Edison Township Public Schools (New Jersey), State of Georgia, UNC Healthcare, and UC National Laboratories.

Lori has served as a thought leader for Mercer in the area of talent management. Most recently, Lori led the firm's 2013 global performance management research, which included more than 1,000 companies from over 50 countries. She also serves on the higher education industry vertical team, partnering with consultants across the firm on issues that impact our higher education clients. Lori has authored articles which have been published in various industry journals and her research and insights have been cited in business publications around the world. Lori has also been a seminar leader and lecturer for various educational institutions and professional societies, including CUPA.

Lori's degrees include a BA in Psychology from Allegheny College and a MA and a Ph.D. in Organizational Psychology from the California School of Professional Psychology. Lori holds the Certified Compensation Professional (CCP) designation from WorldatWork and is certified in the Hogan Assessment Tools and the Intercultural Development Inventory. Lori also serves as Chairman of the Board for Redeemer Day School in Atlanta.

TODAY'S AGENDA

- Pay for performance defined
- Market pay for performance trends and research
- Palm Beach State College: Current state and potential future state discussion
- Appendices:
 - Market trends data and additional survey findings
 - Case study
 - Current PBSC performance rating and turnover data

PAY FOR PERFORMANCE DEFINED

- Most people think of pay for performance or merit based pay as paying an individual for the differentiated results that they deliver in a given year – particularly in the US
- For compensation professionals, merit-based pay or pay for performance can mean this – or it can look different:
 - A membership model: Only hiring and retaining employees that meet specific standards. Employee that do not meet these standards are quickly moved to a new job where they can be successful at or fired
 - A tournament model: Where only the best are rewarded and the gap between first, second, third, etc. are not in equal distance
- At the core, pay for performance is defined as **setting performance expectations and only rewarding employees if they accomplish those expectations.** Rewards may include one or more of the follow:
 - Base salary – relative to market or merit
 - Short-term or long-term incentives – individual or group
 - Career advancement and development

COMPENSATION STRATEGY

WHAT IS A COMPENSATION STRATEGY (OR PHILOSOPHY)?

Compensation Strategy

```
graph TD; CS[Compensation Strategy] --> HMP[How much to pay?]; CS --> WTP[What to pay for?]; CS --> HTP[How to pay?]; CS --> WTPay[When to pay?];
```

How much to pay?

- Competitive pay context
- Peer group
- Pay positioning

What to pay for?

- Performance measures
- Goal-setting
- Linkage

How to pay?

- Differentiation for performance
- Vehicles
- Risk/reward

When to pay?

- Measurement timeframe
- Payout timeframe

NOTE: ADDITIONAL INFORMATION ON REWARD/COMPENSATION STRATEGY CAN BE FOUND ON PAGES 20 – 24 OF THE APPENDIX

SALARY INCREASE BUDGETS CONSISTENT

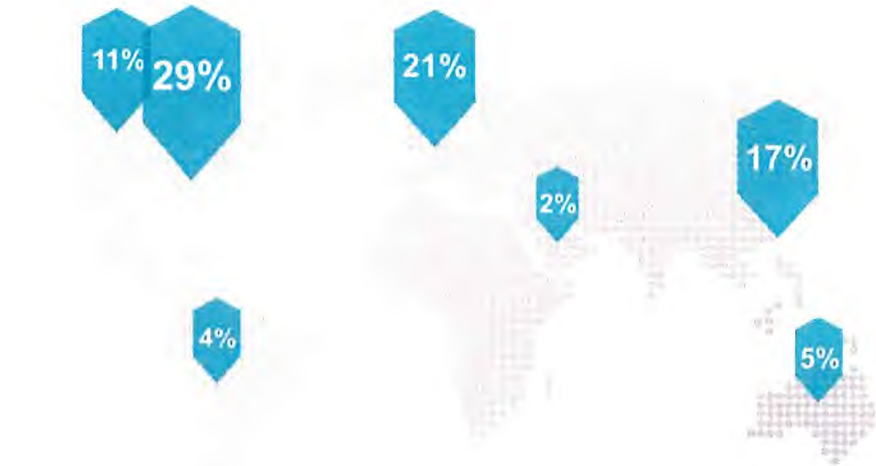
The average salary increase for the Education industry is lower than that of the general industry, at only 2.5% for 2015 versus 2.9%. In 2016, Education will be the same and general industry will slightly increase to 3.0%

YEAR	ALL EMPLOYEES	EXEC	MGMT	PROFESSIONAL	CLERICAL	TRADES/ PRODUCTION
2016 (projected)	3.0%	3.0%	3.0%	3.0%	2.9%	2.9%
2015 (actual)	2.9%	3.0%	2.9%	2.9%	2.9%	2.8%
2014 (actual)	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
2013 (actual)	2.9%	3.0%	2.9%	2.9%	2.9%	2.9%
2012 (actual)	2.9%	3.0%	2.9%	2.9%	2.9%	2.8%
2011 (actual)	2.9%	3.0%	2.9%	2.8%	2.8%	2.8%

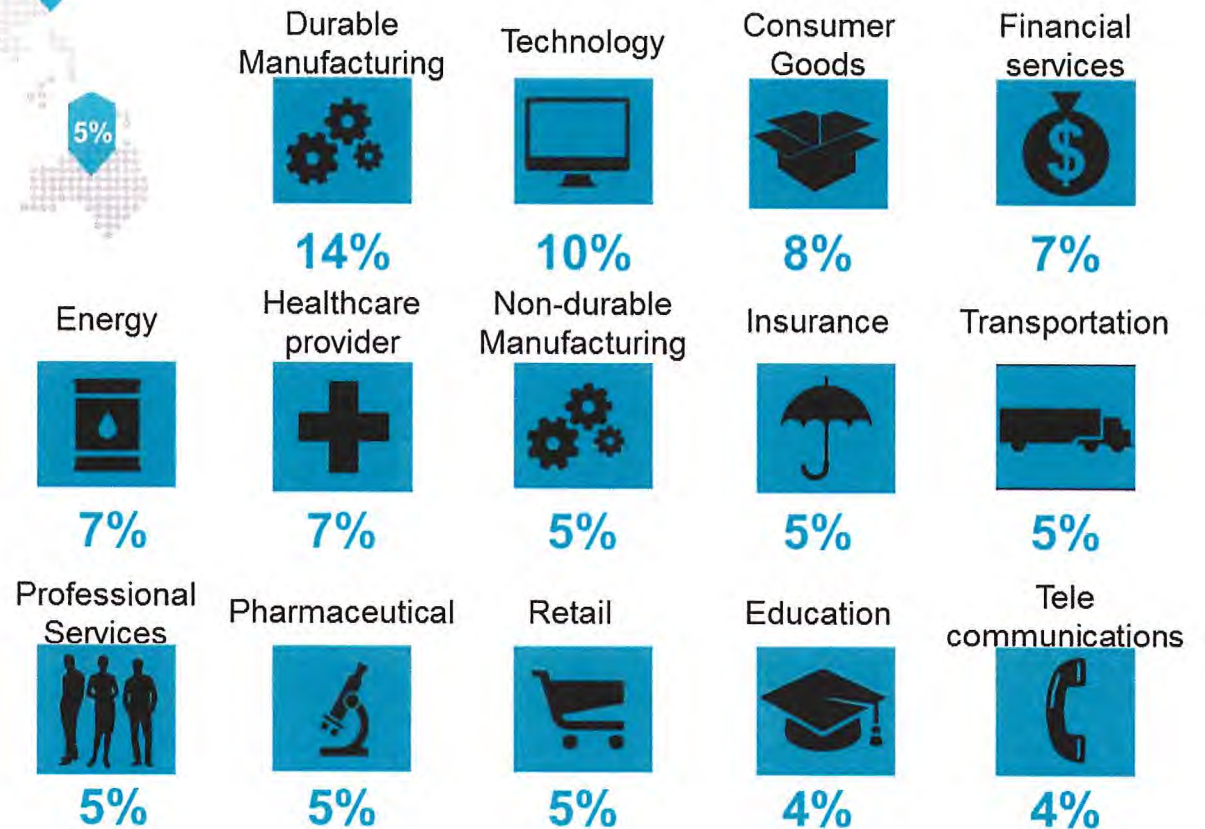
Source: Mercer 2015/2016 US Compensation Planning Survey Report. Table includes all industries, all locations, excluding zeros (n = 1,501). Education industry (n = 47) includes Higher Education. Due to limited sample size, a separate Higher Education cut is not available.

GLOBAL PERFORMANCE MANAGEMENT STUDY

Industries with highest participation

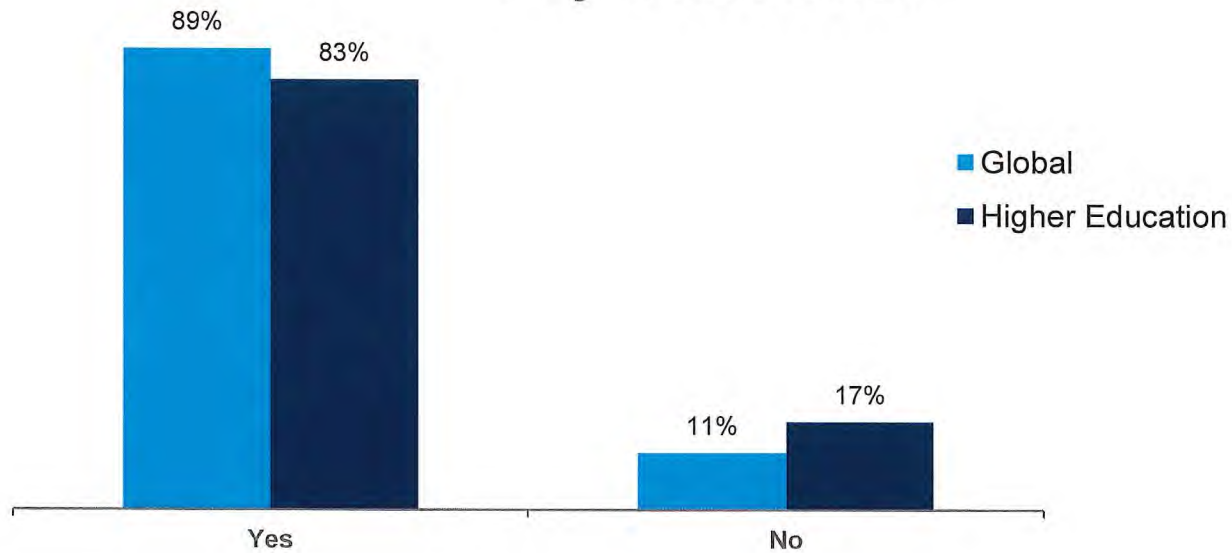


53
countries
1,056
organizations



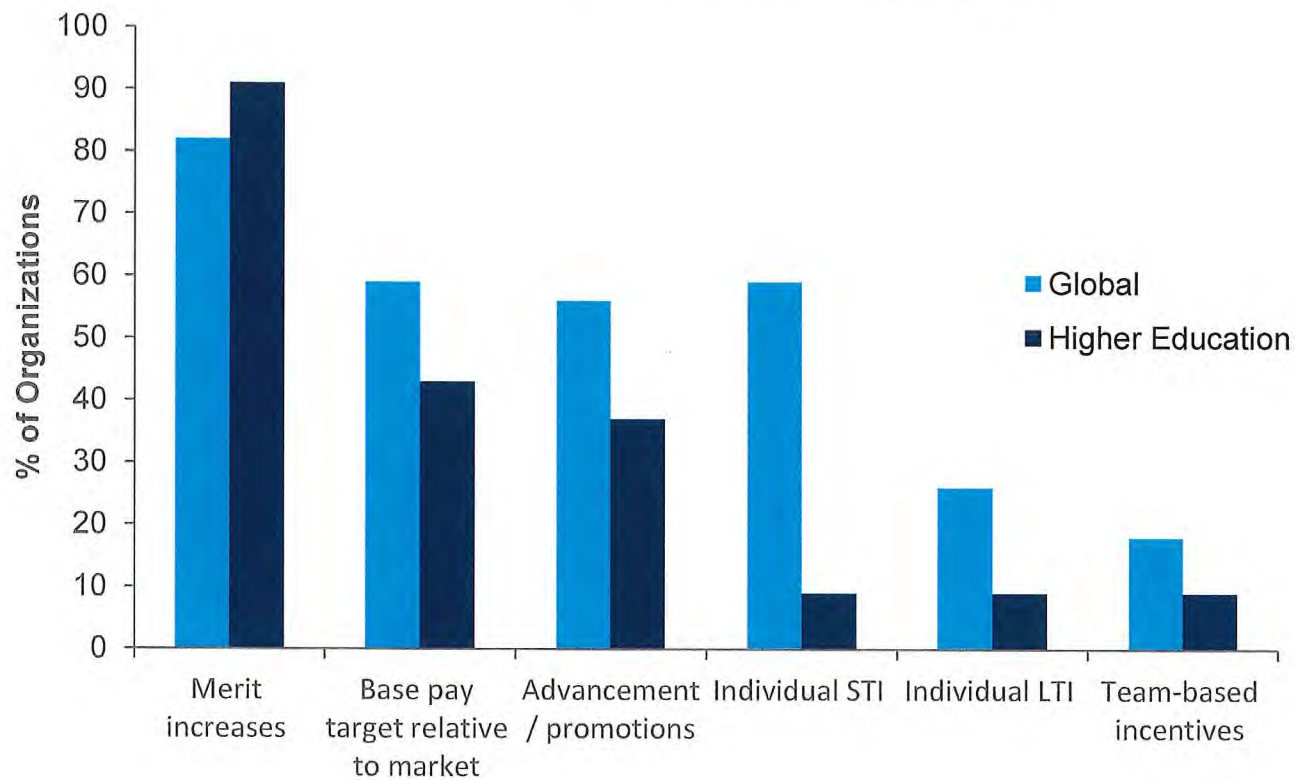
PAY FOR PERFORMANCE MARKET DATA

Does your Organization Link Performance and Pay Decisions?



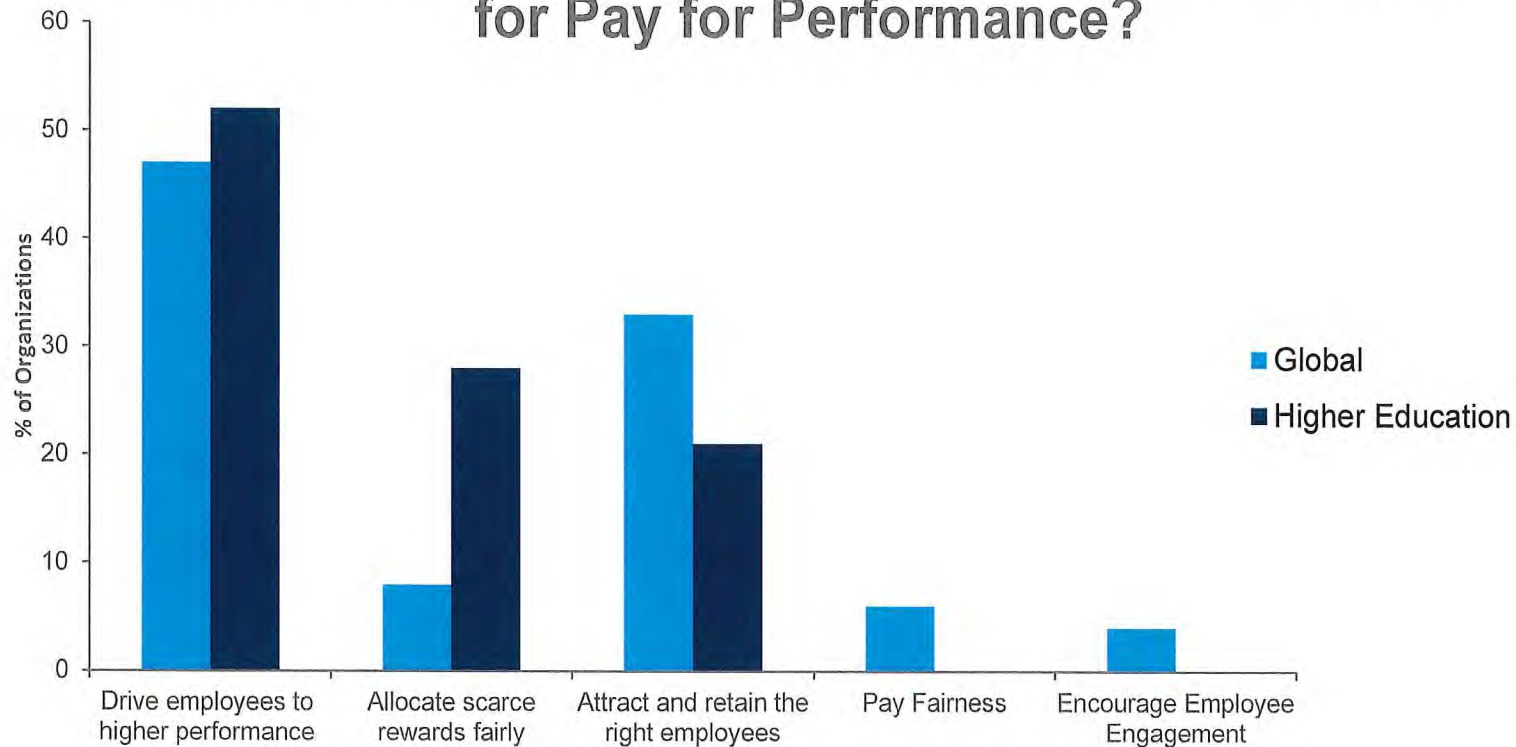
PAY FOR PERFORMANCE MARKET DATA

What Practices Do you Consider as Part of Pay For Performance?



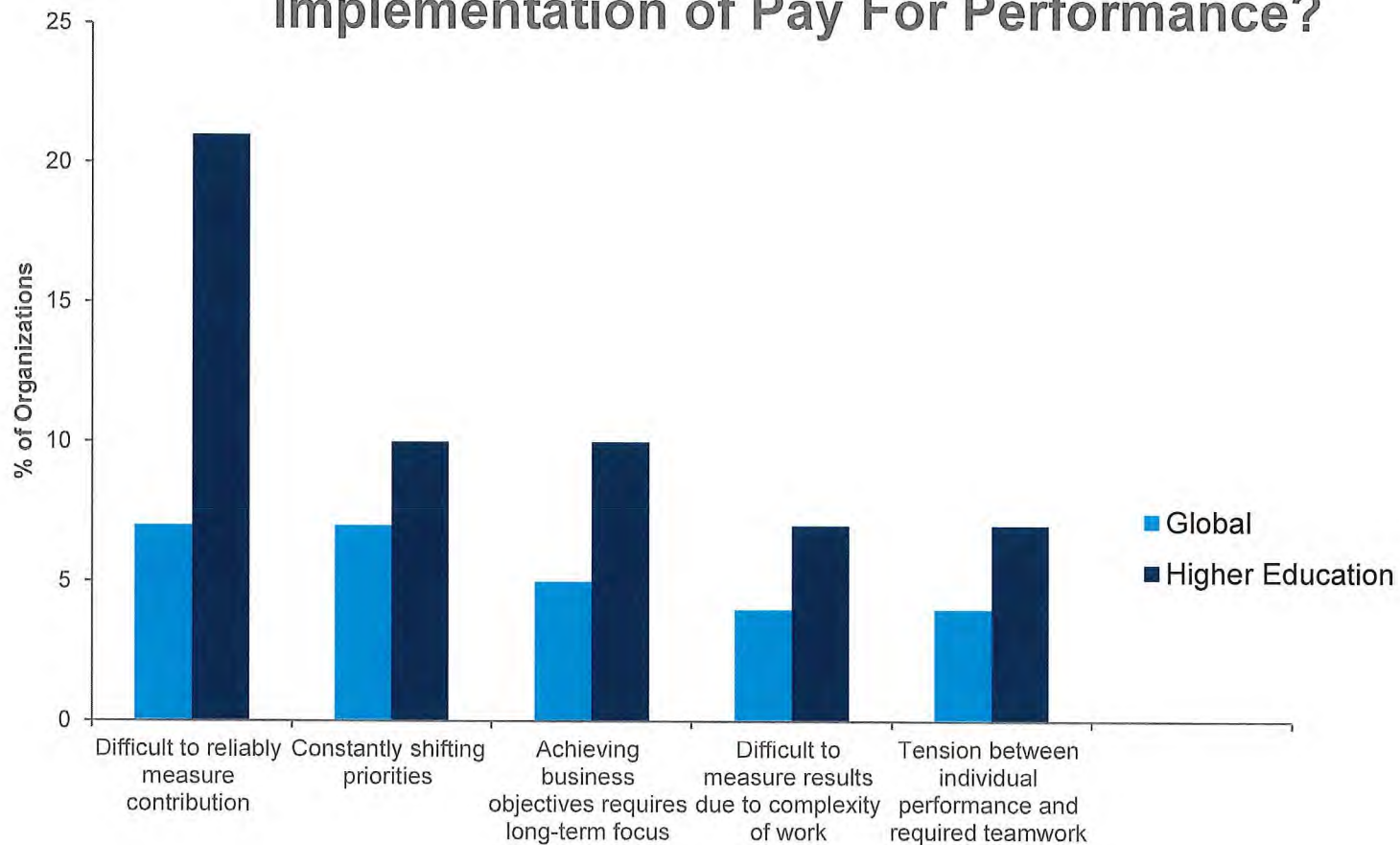
PAY FOR PERFORMANCE MARKET DATA

What are your Organization's Primary Objectives for Pay for Performance?

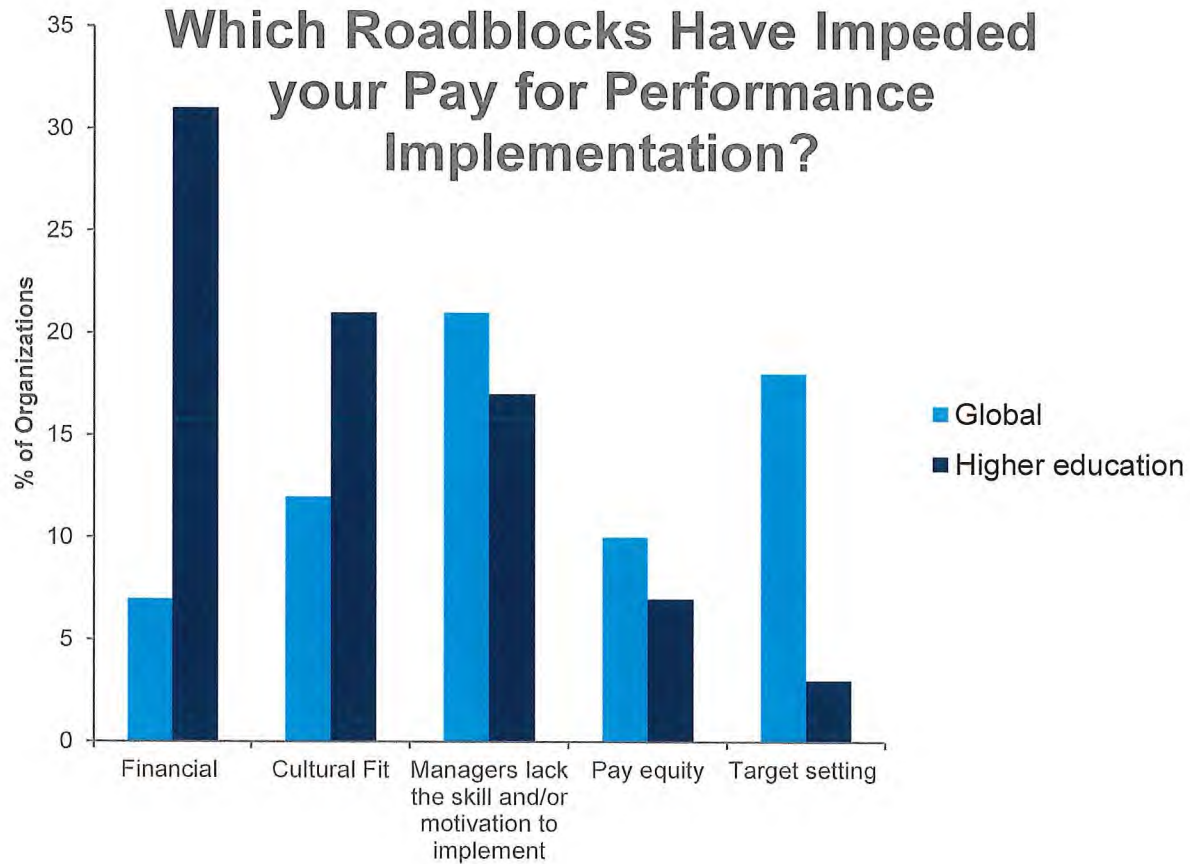


PAY FOR PERFORMANCE MARKET DATA

What are the Most Difficult Challenges in the Implementation of Pay For Performance?



PAY FOR PERFORMANCE MARKET DATA





PROFILE

- Large private non-profit university with 3,800 employees (1,200 faculty)
- 4-year undergraduate and graduate degrees awarded across 18 schools/colleges
- Long-tenured workforce

2016...FOUR YEARS LATER

PRESENTING PROBLEM (2012)

- Lack of performance culture
- Desire to integrate more for-profit performance elements, including pay for performance

PROJECT OBJECTIVES

1. Understand business and talent issues and priorities
2. Identify gaps between current state and desired state best practices
3. Outline specific strategies and detailed action plan

Poor performers stay & Lack of merit differentiation

Underperformer guidelines; Confirm market position and pay for performance approach



- Best change: Task goals helped standardize expectations for employees in the same job



- Hard to differentiate with 2% merit increases and maintain market competitive pay



- Do not track metrics to examine merit allocation across the three ratings



- Have not heard anecdotal from managers or employees that they believe the University is rewarding top performers better than they have in the past



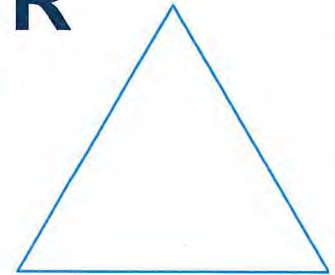
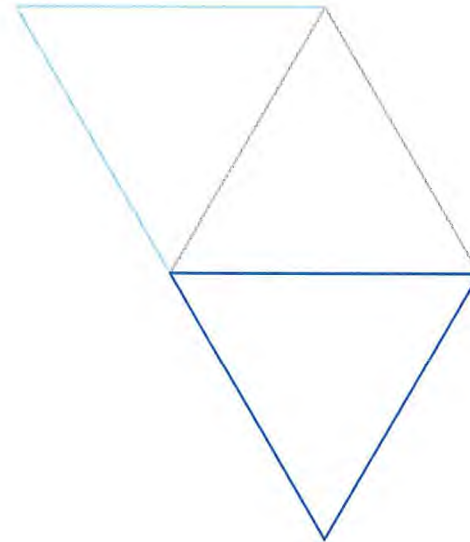
- Recent employee engagement survey results do not show improvements on employee appreciation or compensation

BUILDING A PERFORMANCE CULTURE

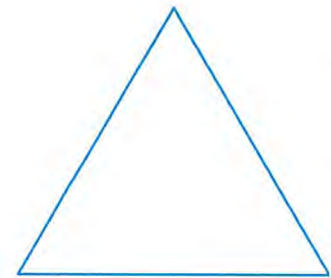
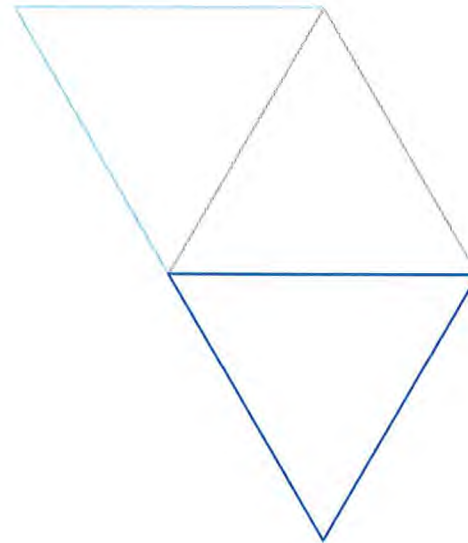
Creating a culture of performance is challenging for any organization at best – and is more unusual in the non-profit space, particularly higher education

- Foundational Requirements
 - Understanding your competitive position to market practices; fixing any issues
 - Execution of sound compensation practices, policies and governance
 - Monitor pay practices and outcomes regularly to ensure alignment with intent
- Cultural Requirements
 - Leadership commitment
 - Reinforcement of performance culture and values in decision making
 - People leaders that have the skill and the will, and are held accountable

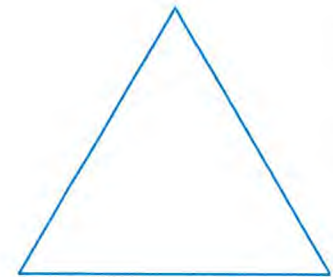
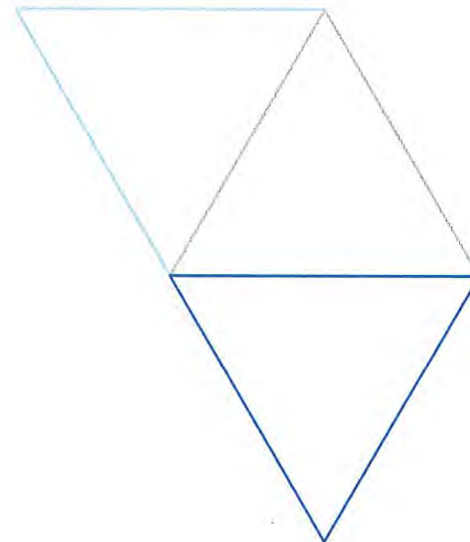
DISCUSSION: IMPLICATIONS FOR PALM BEACH STATE COLLEGE?



APPENDICES



APPENDIX: MARKET TRENDS AND RESEARCH



SETTING THE MARKET CONTEXT



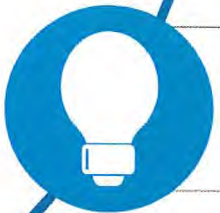
Global market climate is volatile, uncertain, and ambiguous with China's economy slowing, plunging oil prices, political and social unrest in the Middle East, and more.



The U.S. economy is slowly growing, with wages growing at an even slower pace.



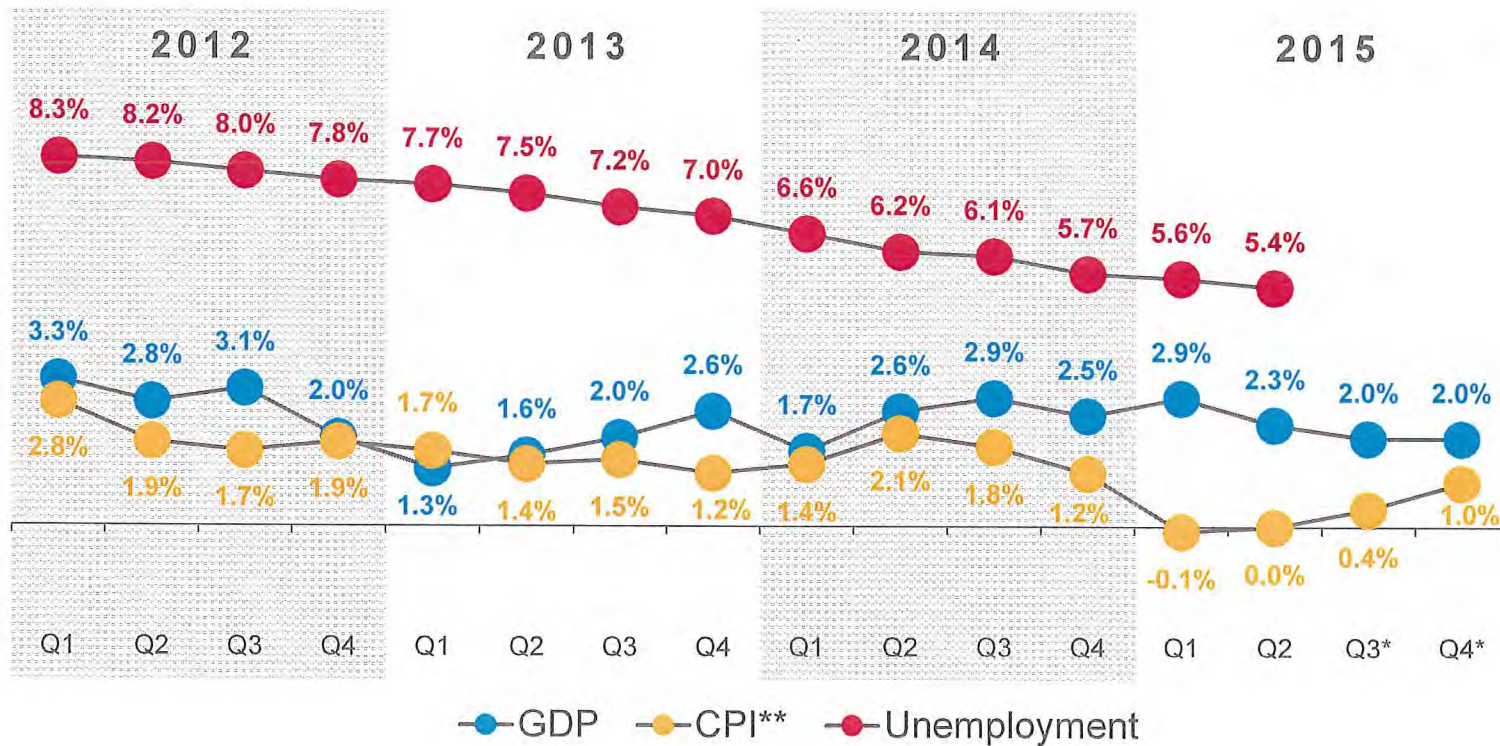
Proposed legislation compounds the already-existing talent and pay issues companies face.



There is continued consideration for developing or enhancing talent management programs to manage tight and flat salary budgets, as well as attract, retain, and engage employees.

ECONOMIC AND MARKET INDICATORS

There are indicators of economic recovery as unemployment continues to decline and CPI increases.



REWARDS STRATEGY CONNECTING THE BUSINESS AND PEOPLE STRATEGIES ARE ESSENTIAL

*It's critical for the rewards strategy to **align** and **reinforce** the
business strategy and **people strategy***



Business Strategy



People Strategy



Rewards Strategy

COMPENSATION STRATEGY DESIGN PRINCIPLES

1	Segmentation	Degree of differentiation needed in the compensation and benefit strategy to support unique requirements for different workforce segments (“stratification”)
2	Role of each element	Purpose of each compensation and benefits vehicle (e.g., base salary, short-term and long-term incentives, retirement, medical, etc.)
3	Comparator group(s)	Competitive business/labor market
4	Competitive positioning	Target positioning, mix
5	Performance orientation	Differentiation, time horizon, point of measurement, metrics
6	Internal equity	Importance of the internal relative value of work
7	Affordability	Degree of cost control required to ensure affordability and sustainability
8	Governance	Decision-making structure, management responsibility
9	Communication	Approach and vehicles for information sharing
10	Administration	Approach and point of management including regulatory compliance

COMPENSATION STRATEGY

INTERNAL AND EXTERNAL FACTORS THAT INFLUENCE A COMPENSATION STRATEGY

Internal Considerations

- Business strategy
- Current pay programs
- Incumbent expectations
- Ownership structure
- Financial constraints
- Organization structure

External Considerations

- Competitive pay practices
- Market performance expectations
- Industry trends
- Tax treatment
- Accounting rules
- SEC regulations

COMPENSATION STRATEGY

WHAT IS COMPETITIVE PAY?

50TH
PERCENTILE

+ / - 10%

*is considered competitive
at the aggregate level*

+ / - 20%

*is considered competitive
at the team member level
to account for experience
and performance*

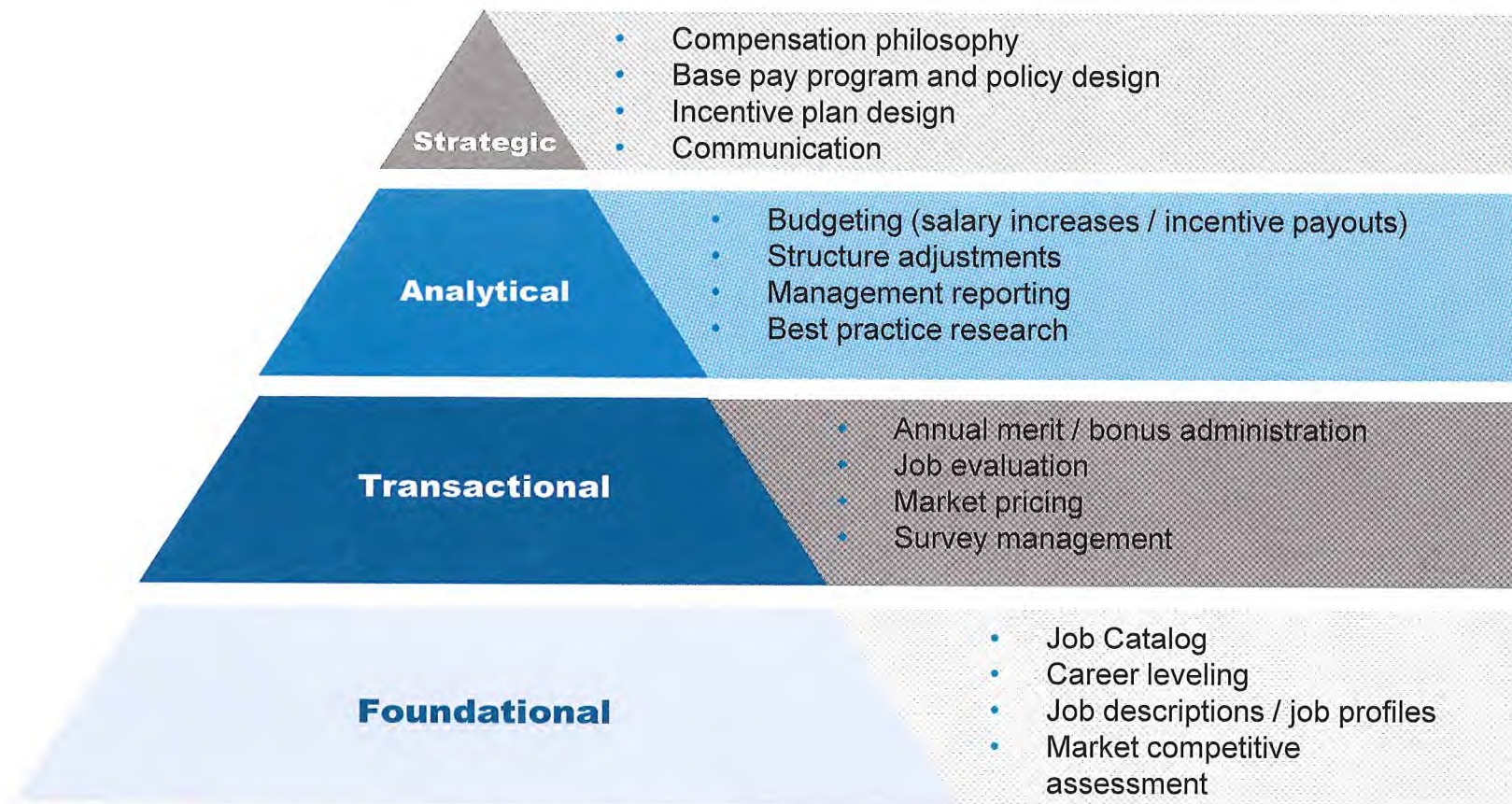
85-90%

of organizations target the median
overall for compensation

COMPENSATION PROGRAM MANAGEMENT

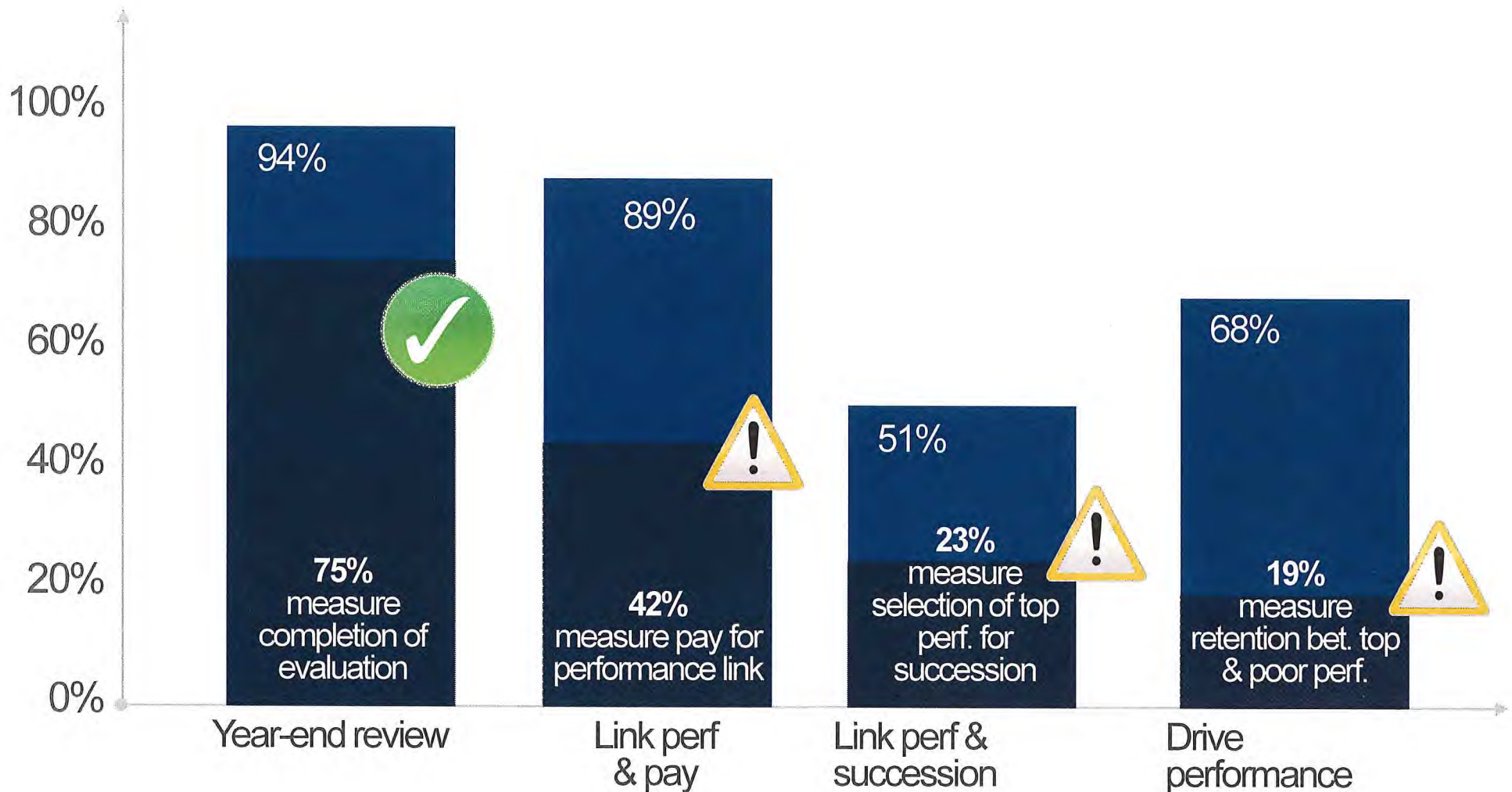
TYPICAL CORPORATE COMPENSATION FUNCTION ACTIVITIES

- Mercer views compensation function activities in four key categories: strategic, analytical, transactional and foundational

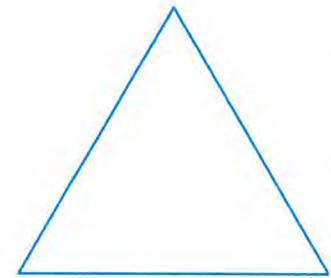
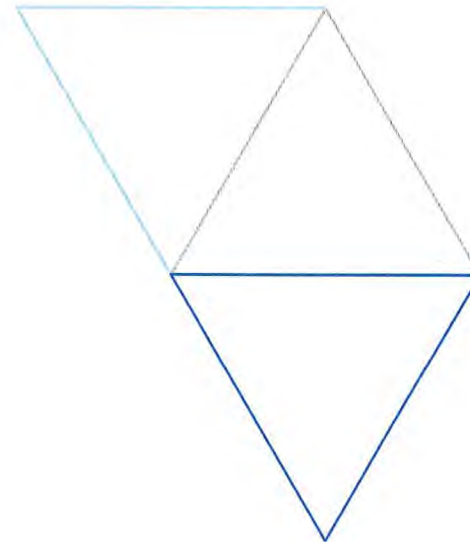


MERCER'S GLOBAL PM SURVEY

TALENT PHILOSOPHY AND ANALYTICS: KEY GAPS EXIST



APPENDIX: CASE STUDY





PROFILE

- Large private non-profit university with 3,800 employees (1,200 faculty)
- 4-year undergraduate and graduate degrees awarded across 18 schools/colleges
- Long-tenured workforce

DISCOVERY

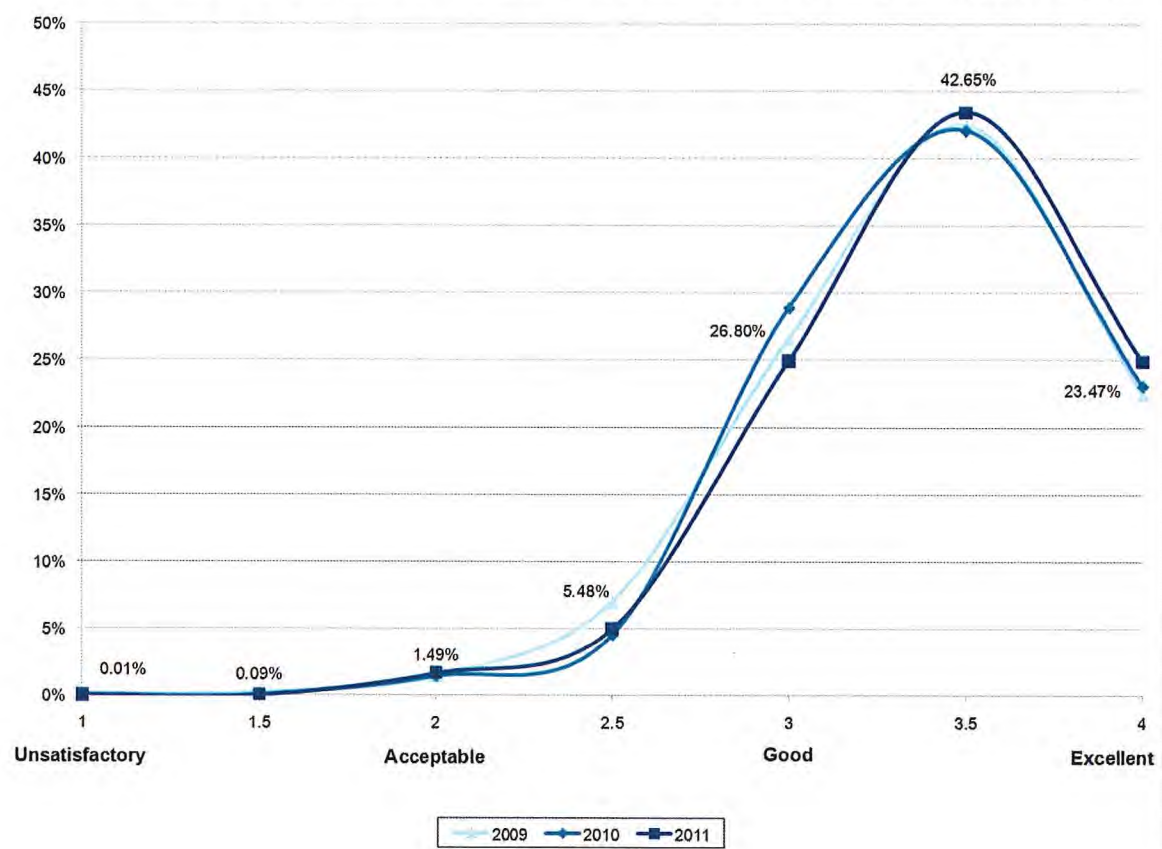
PRESENTING PROBLEM (2012)

- Lack of performance culture
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PROJECT OBJECTIVES

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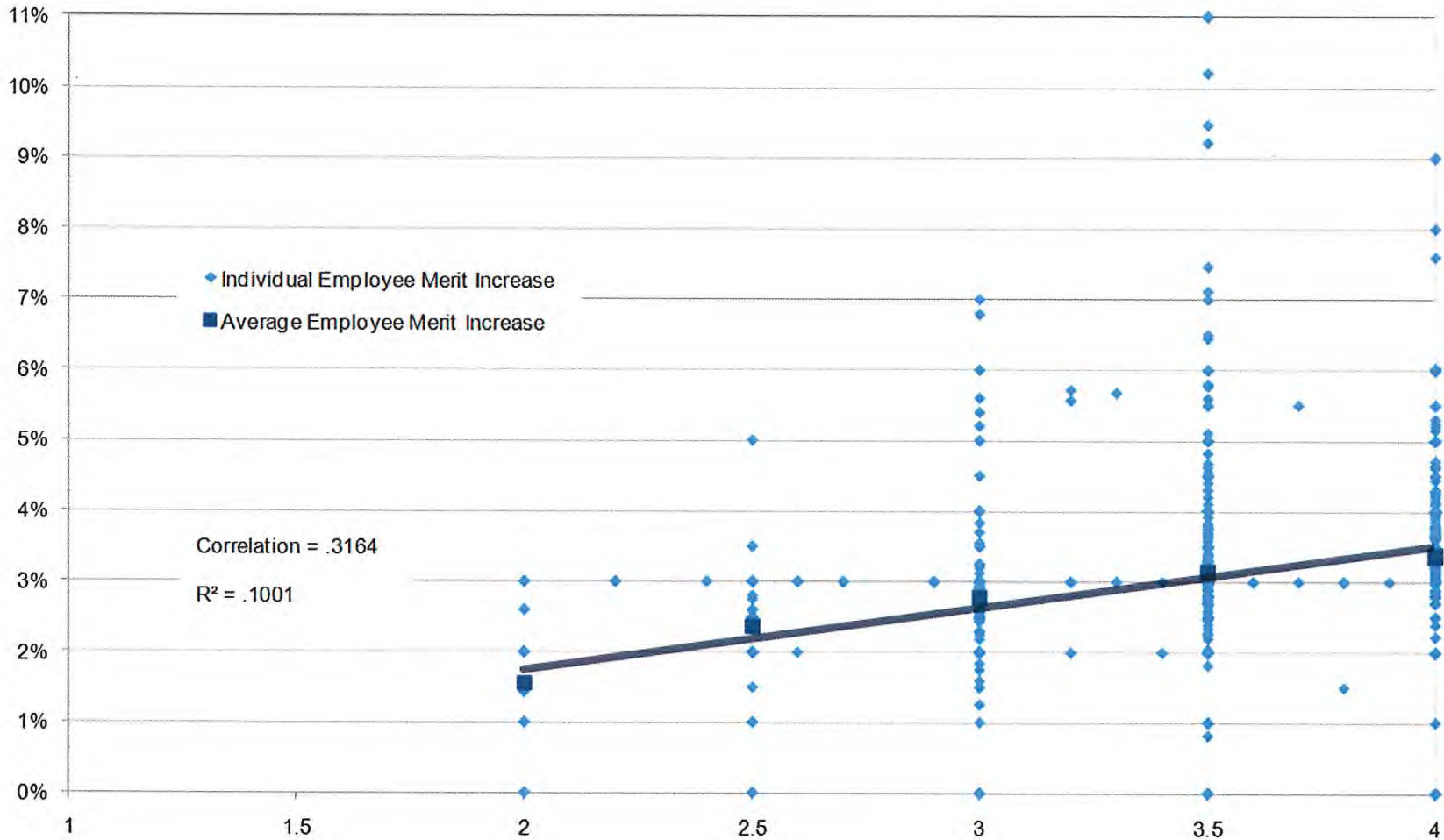
3 YEAR HISTORICAL ANALYSIS SHOWED 66% OF EMPLOYEES WERE RATED ABOVE TARGET





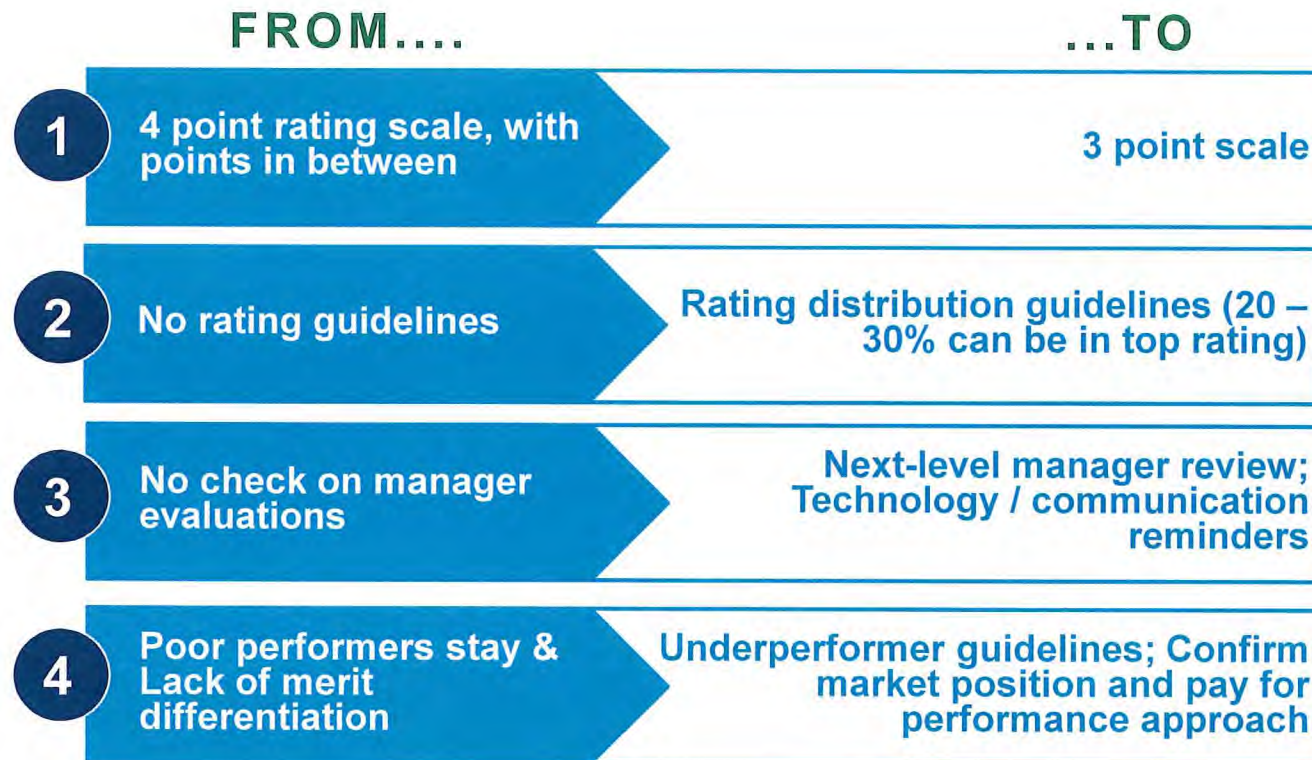
DISCOVERY

Average 2011 merit increase was 3.07% (including zeros) and 3.14% (excluding zeros) ranging from 0.81% to 11%





ACTION PLANNING





ACTION PLANNING



- Employees receiving a Unsatisfactory Contribution rating will be handled in the following way:

Year	Action
One	<ul style="list-style-type: none"> ▪ Placed on Performance Improvement Plan (PIP), which defined actions and timing for expected performance improvement <ul style="list-style-type: none"> ➢ Improvement is expected to be seen based on timing outlined on PIP ➢ If improvement is not seen within the expected timeframe, the employee will either be terminated or move to another FloridaEdu job that is a better fit. Note that it is the University's expectation that managers look out for the institution's best interests and do not pass a poor performer to another area to avoid confrontation. Manager should seek support from HR as needed ▪ Manager to provide regular coaching to employee on performance area that needs to be addressed
Two	<ul style="list-style-type: none"> ▪ Review of the employee's "fit" with FloridaEdu. Action taken to terminate or move employee to another FloridaEdu job that is a better fit. Note that it is the University's expectation that managers look out for the institution's best interests and do not pass a poor performer to another area to avoid confrontation. Manager should seek support from HR as needed



ACTION PLANNING

4

Poor performers stay & Lack of merit differentiation

Underperformer guidelines; Confirm market position and pay for performance approach

- Universities and companies who adopt a pay for performance approach and are generally market competitive, typically utilize a merit matrix (sample shown below)
 - One approach to utilizing a merit matrix is strictly allocating the budget based on the matrix, while a more flexible approach provides the matrix to managers. The managers are given a range of percentages to be provided at their discretion

Example Merit Pay Matrix – Illustrative (MedCollege)

Annual Performance Rating	Lower Third of the Salary Range <i>(First Tritile)</i>	Middle Third of the Salary Range <i>(Second Tritile)</i>	Upper Third of the Salary Range <i>(Third Tritile)</i>
Exceeds	4 - 8%	3.5 – 7.5%	3 - 7%
Fully Meets	2 - 4%	1.5 – 3.5%	1 - 3%
Below	0.0%	0.0%	0.0%

First Tritile:
New to job, still ramping in the role

Second Tritile:
Represents a recommended range of pay for a fully qualified employee meeting expectations

Third Tritile: Employee who is performing stretch goals and is likely headed for a larger job; sustained high performing employee



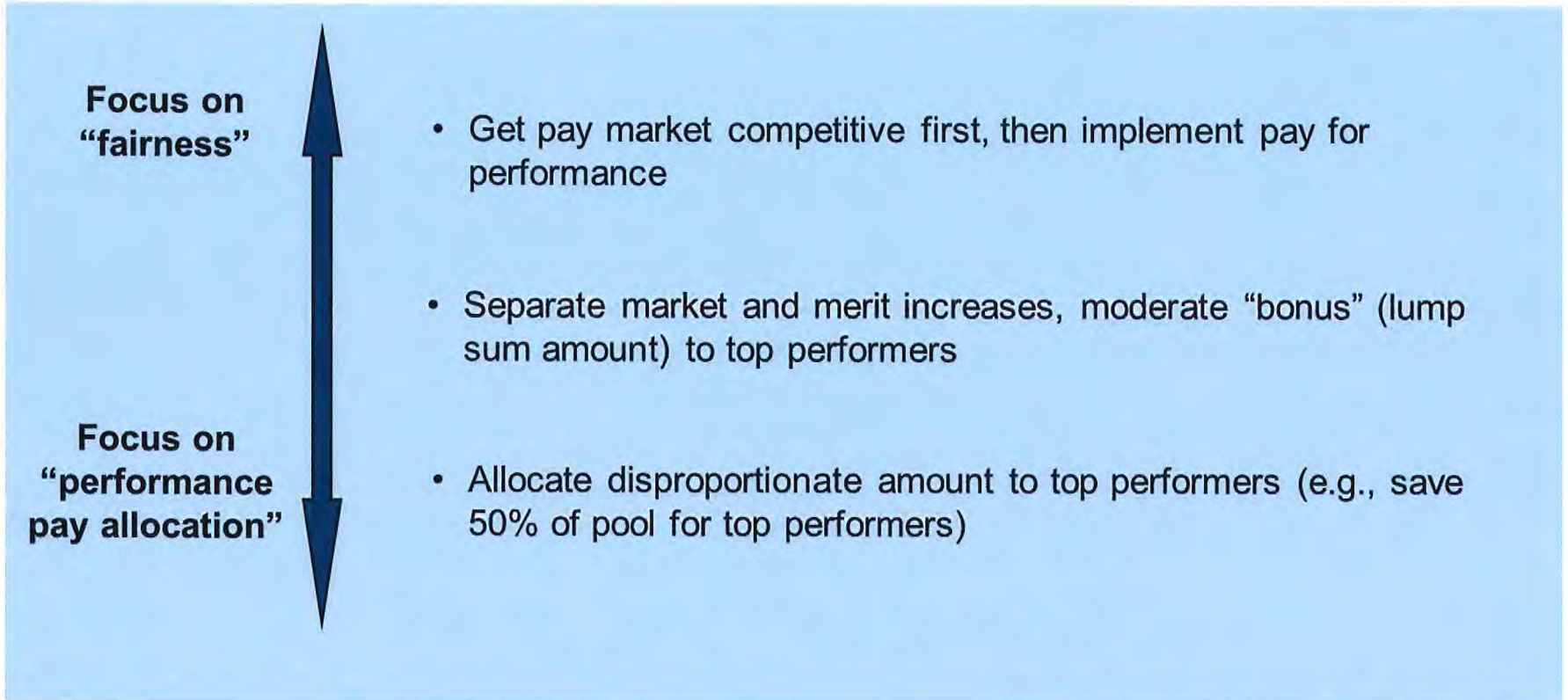
ACTION PLANNING

4

Poor performers stay & Lack of merit differentiation

Underperformer guidelines; Confirm market position and pay for performance approach

- If FloridaEdu's current compensation study confirms a lack of market competitiveness, the University should consider various options:





2016...FOUR YEARS POST IMPLEMENTATION

4

Poor performers stay & Lack of merit differentiation

Underperformer guidelines; Confirm market position and pay for performance approach



- Best change: Task goals helped standardize expectations for employees in the same job



- Hard to differentiate with 2% merit increases and maintain market competitive pay



- Do not track metrics to examine merit allocation across the three ratings

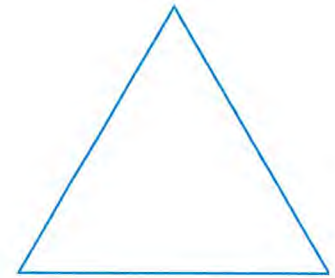
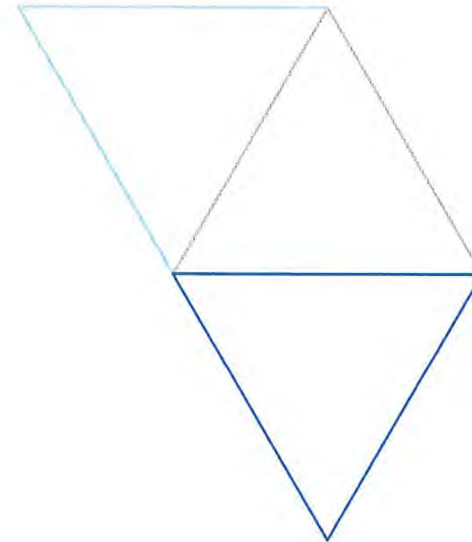


- Have not heard anecdotal from managers or employees that they believe the University is reward top performers better than they have in the past



- Recent employee engagement survey results do not show improvements on employee appreciation or compensation

PALM BEACH STATE COLLEGE: CURRENT STATE



PALM BEACH STATE COLLEGE

CURRENT STATE- APPRAISAL HISTORY DATA

STAFF	EXCEEDS		MEETS		NEEDS IMP		UNSAT		TOTAL	
	#	%	#	%	#	%	#	%	#	%
2015-2016	346	50%	328	48%	12	2%			686	100%
2014-2015	329	51%	300	46%	14	2%	3	0%	646	100%
2013-2014	323	53%	274	45%	7	1%	1	0%	605	100%
2012-2013	295	55%	240	44%	6	1%			541	100%

FACULTY	EXCEEDS		MEETS		NEEDS IMP		TOTAL	
	#	%	#	%	#	%	#	%
2015-2016	1	1%	118	99%	0		119	100%
2014-2015	1	0%	274	96%	9	3%	284	100%
2013-2014			249	98%	4	2%	253	100%
2012-2013	1	1%	81	95%	3	4%	85	100%

PALM BEACH STATE COLLEGE

CURRENT STATE-VOLUNTARY AND INVOLUNTARY LEAVE

VOLUNTARY	STAFF/FAC	PERCENT
DECEASED	14	2%
RESIGNED	464	71%
RETIRED	175	27%

INVOLUNTARY	STAFF/FAC	PERCENT
CONTRACT NOT RENEW	17	20%
DISMISSED	43	50%
NEVER HAD ASSIGN	2	2%
REDUCTION IN FORCE	19	22%
RESIGN IN LIEU TERM	5	6%

INVOLUNTARY	VOLUNTARY	PERCENT INVOLUNTARY	PERCENT VOLUNTARY
82	561	13%	87%
4	92	4%	96%
86	653	12%	88%

PALM BEACH STATE COLLEGE
CURRENT STATE-VOLUNTARY AND INVOLUNTARY LEAVE

INVOLUNTARY	VOLUNTARY	PERCENT INVOLUNTARY	PERCENT VOLUNTARY	FACULTY	INVOLUNTARY	VOLUNTARY	PERCENT INVOLUNTARY	PERCENT VOLUNTARY
0	6	0%	100%	1	0	1	0%	100%
16	113	12%	88%	26	2	24	8%	92%
21	123	15%	85%	16	1	15	6%	94%
16	91	15%	85%	14	1	13	7%	93%
10	93	10%	90%	18	0	18	0%	100%
12	68	15%	85%	12	0	12	0%	100%
7	67	9%	91%	9	0	9	0%	100%
82	561	13%	87%	96	4	92	4%	96%

MAKE



**TOMORROW
TODAY**