Staff Compensation System
Town Hall Meeting
May 10, 2016

- Sarah Hutchinson, Aon Hewitt
- Jonathan P. Kok and Allyson R. Terpsma, Warner Norcross & Judd
- Warren Hills, WMU Human Resources
Agenda

• Compensation project update
• Overview of the Fair Labor Standards Act and WMU’s review process
• FLSA status change implementation
Compensation Project Update

- Project with Aon Hewitt launched, May 2013
- New system implemented July 1, 2015
  - Pay grades
  - Job titles
  - Administrative pay guidelines
  - Job evaluation process
  - Working title request process
- Project tasks remaining as of July 1, 2015:
  - FLSA review – to be covered by our next presenter
  - Job descriptions
Job Evaluation Committees

- Job evaluation committees operating since July 2015:
  - Two committees, each with exempt and nonexempt members.
  - Over 100 jobs evaluated to date.
    - 80 of which were new or vacant positions.
  - Committees:
    - Determine pay grade
    - Determine job title level
    - Recommend in-grade promotional adjustments, based upon changes in job content.
  - Decisions may be appealed to the Vice-President and Chief HR Officer.
SCS Job Descriptions – Planned for Summer 2016

- Collaboration: Aon Hewitt, WMU HR and WMU leadership.
- Job description qualifications:
  - Aon Hewitt to supply comprehensive set of minimum and preferred qualifications for each job, including education, experience, and certifications/licenses.
  - Qualifications will be based upon Aon Hewitt’s analysis of a) job content tools, b) pre-2015 job descriptions, and c) benchmark jobs in the market.
- One broadly written description for each job title.
Effective July 1, 2016:

- WMU administration is **planning** a 3% across-the-board adjustment for all Staff Compensation System employees hired before April 1, 2016.
  - Subject to **change** and **pending** Board of Trustees approval.

- For all employees with pay currently above the maximum of the pay grade, WMU is **planning** a 1.5% lump sum payment.
  - Subject to **change** and **pending** Board of Trustees approval.
  - Approximately 42 employees.

- If the Board of Trustees grants approval at its June 29, 2016, meeting:
  - Biweekly (hourly) increases begin with July 12, 2016 pay (only one day of pay period at new rate).
  - Semi-monthly (salaried) increases begin with July 20, 2016 pay.
Keeping the New System Aligned with Market

- Pay structure movement is essential to ensure future competitiveness.
- Assuming that a 3% across-the-board increase is approved by the Board of Trustees for Staff Compensation System employees:
  - WMU will adjust the SCS pay structure upward by 2% also effective July 1, 2016, but after the across-the-board increase is applied.
  - Any employee with satisfactory performance whose pay is below the new grade minimum will receive an increase to minimum effective July 1, 2016.
- Minimum and maximum of each grade will be increased by 2%.
  - Then new midpoint calculated for each grade.
Keeping the New System Aligned with Market over Long-term

- Aon Hewitt recommends a regular process to recalibrate a compensation system to market on a regular basis, typically every 2 to 5 years
- WMU’s current plan (which could change):
  - Develop RFP for an outside consulting partner to guide WMU through a “market recalibration” in mid-2018.
  - Target implementation date for any changes, July 1, 2019.
The Fair Labor Standards Act
WMU Town Hall Meeting
May 10, 2016

Jonathan P. Kok

Allyson R. Terpsma
Introduction

• Some of you may have questions such as:
  ❖ What is the difference between exempt (salaried) and nonexempt (hourly) jobs?
  ❖ Who decides whether my job is exempt or nonexempt?
  ❖ Does my preference factor into that decision?
  ❖ How is that decision made?
Introduction

• To answer those questions, we will discuss:
  ♦ Basics of the FLSA
  ♦ FLSA Exemptions
  ♦ WMU’s FLSA Review
Basics of the FLSA

• Fair Labor Standards Act of 1938
• DOL writes regulations to implement the FLSA
  - Last updated in 2004
  - New amendments have been proposed
    › Not yet finalized
    › Not yet effective
Basics of the FLSA

- The FLSA requires that employers pay nonexempt employees a minimum wage and overtime
  - Minimum wage: In Michigan, all nonexempt employees must be paid at least $8.50/hour
  - Overtime: All nonexempt employees must be paid 1.5 x their regular rate of pay for hours worked over 40 in a workweek
- But many employees are exempt from these requirements
FLSA Exemptions

• Primary exemptions
  ◆ Executive
  ◆ Administrative
  ◆ Professional
  ◆ Computer

• Generally two tests determine whether a job is exempt
  ◆ Salary
  ◆ Primary duty
WMU’s FLSA Review

• Element of WMU’s broader compensation review
• Performed by WNJ attorneys who specialize in employment law
• HR & Aon Hewitt identified the jobs to be reviewed
  - Mixed status
  - Borderline
  - Benchmarks
• Reviewed job content tools created by employees
  - Breakdown of time spent on various duties
WMU’s FLSA Review

• Assessed whether FLSA exemptions applied
  ❖ Regulations
  ❖ DOL opinion letters
  ❖ Court decisions

• Recommendations
  ❖ Limitations to both information and guidance
  ❖ Often close calls

• FLSA presentation
  ❖ Reflects WMU’s commitment to being transparent with its employees
FLSA Review Implementation

• Change FLSA status of 22 jobs (job titles) based upon recommendation from Warner, Norcross & Judd.
  • 57 employees affected.
  • 31 employees moving from exempt (salaried) to nonexempt (hourly).
  • 26 employees moving from nonexempt (hourly) to exempt (salaried).
FLSA Review Communications

- Today, letter mailed to all 57 employees (home address).
  - Letters detail changes to overtime eligibility, pay and benefits.
- Lists of positions and impacted employees have been sent to each vice-president.
- Address questions to your HR Representative.
FLSA Changes for Employees

• Overtime eligibility will change.
• Employees will change benefit plans to match new FLSA status.
• Employees’ pay cycle will change.
  • Exempt paid semimonthly.
  • Nonexempt paid biweekly.
• All changes effective July 1, 2016.
Benefit Comparison

Benefits that differ between exempt and nonexempt:
  • Health plan contributions
  • Long-term disability insurance premiums
  • Life insurance coverage and premiums
  • Retirement plan vesting
  • Annual leave

For additional information, refer to the 2016 Benefits and Rates Summaries at wmich.edu/hr/benefits-staff
Benefit Comparison

Benefits that are the same for both exempt and nonexempt:

- Paid holidays
- Flexible Spending Accounts
  - Health Care and Dependent Care
- Tuition discount and tuition remission
- Western Wellness
- Access to Sindecuse Health Center, Unified Clinics and University Libraries
- Discounts for performing arts, athletics, and bookstore
- Travel Accident and Workers’ Compensation insurance

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FLSA Changes for Employees

• Employees changing benefit plans will receive an increase to base pay
  • Offset for potential costs and inconveniences.
  • Salaried: $900.
  • Hourly: $0.43 per hour (equivalent to $900 based upon 2080 hours).
• Base pay increase effective July 1, 2016.
  • Applied before across-the-board increase.
Questions and Answers

- Aon Hewitt
  - Sarah Hutchinson
- Warner, Norcross & Judd
  - Jonathan Kok
  - Allyson Terpsma
- WMU
  - Warren Hills