

**MINNESOTA STATE COLLEGES AND UNIVERSITIES
BOARD OF TRUSTEES**

Agenda Item Summary Sheet

Committee: Human Resources Committee **Date of Meeting:** September 15, 2010

Agenda Item: Pay for Performance

- Proposed Policy Change Approvals Required by Policy Other Approvals Monitoring
- Information

Cite policy requirement, or explain why item is on the Board agenda:
Relates to the Board’s compensation philosophy and pay for performance

Scheduled Presenter(s):
Lori Lamb, Vice Chancellor for Human Resources

- Outline of Key Points:**
- Background and history information

Background Information:
Administrators, including the Chancellor, presidents and vice chancellors, historically have been paid on a performance-based model. This is embodied in the “merit pool” funds in prior years and the performance incentives currently in place for contracted administrators.

1 **BOARD OF TRUSTEES**
2 **MINNESOTA STATE COLLEGES AND UNIVERSITIES**
3

INFORMATION ITEM

PAY FOR PERFORMANCE

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6 **BACKGROUND:**

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8 Legislative History

9 The Legislature has established a requirement that each state employee shall be evaluated and counseled on
10 work performance at least once a year. In addition, all individual pay increases for employees not represented
11 by exclusive representatives shall be based on the performance evaluation. Minn. Stat. § 43A.20
12

13 The Personnel Plan for Minnesota State Colleges and Universities Administrators does not provide for across-
14 the-board salary adjustments. All increases have historically been in variable amounts at the discretion of the
15 appointing authority and based on individual performance in the prior year. The Personnel Plan for FY2010-
16 2011 suspended all base salary increases other than those provided in chancellor, vice chancellor and president
17 employment agreements.
18

19 In the 2000 legislative session, the Legislature modified compensation for system administrators in several
20 ways. First, Minn. Stat. ch.15A, which generally governs the salaries of agency heads, was modified to give the
21 Board of Trustees the power to establish the salary of the Chancellor within a salary range approved by the
22 Legislative Coordinating Commission’s Subcommittee on Employee Relations. Minn. Stat. §15A.081.
23 Second, Minn.Stat. § 136F.40 was modified to allow the Board to enter into employment contracts with the
24 Chancellor and the presidents. The law allows the Board to provide “other compensation” to the Chancellor
25 and presidents. Laws of Minnesota 2000, Chapter 453.
26

27 On July 21, 2000, the Legislative Subcommittee on Employee Relations approved an amendment to the
28 Personnel Plan. This amendment reflected statutory changes providing for employment contracts, and
29 providing for additional remuneration of up to 30 percent of base salary for administrators under contract. This
30 additional remuneration has consisted of housing allowances for the Chancellor and state university presidents,
31 a transportation/communication allowance for the Chancellor and all presidents, and more recently,
32 performance pay.
33

34 In the Special Session of 2001, the legislature again amended Minn. Stat. § 136F.40 to allow employment
35 contracts with vice-chancellors.
36

37 Performance Pay Background

38 Administrators, including the Chancellor, presidents and vice chancellors, historically have been paid on a
39 performance based model. That is, they have always been paid as a “look back” for past performance. This is
40 embodied in the “merit pool” funds in prior years and the performance incentives currently in place for
41 contracted administrators. This means that any increases are paid to administrators in the year following the
42 period in which they are earned. For example, for performance in FY08, administrators received payments at
43 the beginning of FY09. This allows for an assessment of prior performance before the award of any
44 remuneration increases and allows for remuneration to be proportional to actual performance.
45
46

1 This pay practice is in contrast with the traditional pay strategy for bargaining unit employees where negotiated
 2 increases take place on the first day of a fiscal year. Thus, bargaining unit employees receive increases
 3 contemporaneously with the work they perform; with the pay increases coming in the form of predetermined
 4 step increases (employees who are at the maximum rate for their pay range do not receive step increases).

5
 6 Chancellor’s Pay History

7 The Chancellor’s employment contract originally provided for an annual incentive payment that, when
 8 combined with his housing allowance and transportation allowance, would bring his total additional
 9 remuneration up to the 30 percent limit provided in the Personnel Plan approved by the Legislature. In 2008
 10 and 2009, the Board of Trustees and the Chancellor agreed to new employment contracts that put his additional
 11 remuneration more at risk by making payment of the incentive optional up to a maximum amount, depending on
 12 performance. In the past two years, the Chancellor’s performance incentives have been less than the maximum
 13 provided by the employment contract and the Personnel Plan. The performance incentives paid to Chancellor
 14 McCormick are one-time payments and do not adjust base salary.

15

Fiscal Year	Base Salary	Performance Incentive	Basis of Incentive	Housing Allowance	Transportation Allowance	Total Compensation*
2002	248,183	37,800	30% of base minus the total paid for housing & transportation	24,000	7,200	317,183
2003	250,000	43,800	30% of base minus the total paid for housing & transportation	24,000	7,200	325,000
2004	250,000	43,800	30% of base minus the total paid for housing & transportation	24,000	7,200	325,000
2005	262,500	47,400	30% of base minus the total paid for housing & transportation	24,000	7,200	341,100
2006	272,344	54,588	30% of base minus the total paid for housing & transportation	24,000	7,200	358,132
2007	285,961	50,653	30% of base minus the total paid for housing & transportation	24,000	7,200	367,814
2008	340,000	23,500	Performance incentive not to exceed \$25,000	24,000	7,200	394,700
2009	360,000	32,500	Performance incentive not to exceed \$50,000	24,000	7,200	423,700
2010	360,000	40,000	Performance incentive not to exceed \$50,000	24,000	7,200	431,200

Total compensation excludes employer contributions for insurance, retirement and FICA, as well as the value of vacation conversions to the 403b or deferred compensation plan.

1 Presidents' and Vice Chancellors' Pay History

2 Beginning in FY03, the employment contracts provided each president and vice chancellor the opportunity to
3 earn a performance-based lump-sum payment of \$2,000 each fiscal year. These amounts were paid for FY
4 2003 through FY 2008.

5
6 In 2008, the Board of Trustees instructed the Chancellor to negotiate addenda to the presidents' contracts
7 providing for larger performance incentives, but introducing more risk. Those addenda provide generally for
8 performance increases up to \$15,000 per fiscal year. The incentive is not guaranteed; a president or vice
9 chancellor may not receive any performance incentive. In addition, a rigorous process was implemented to
10 assess the performance of the presidents and vice chancellors to insure their performance warranted the
11 potential incentive payment. These performance incentive payments are one-time funds and do not constitute
12 base salary adjustments.

13
14 The summary of the payments for presidents and vice chancellors for FY 09 is included in Attachment A.

15
16 Other Employee Groups Receive Incentive Pay

17 Other employee groups within the system also have received lump-sum performance incentives. State college
18 faculty members (MSCF), state university administrative and service faculty (MSUAASF) and customized
19 training representatives in the colleges (MAPE) received performance incentives in fiscal year 2010. These
20 incentives were based on work performed in fiscal year 2009. The total paid to these other employee groups
21 exceeded the total paid to the Chancellor, presidents and vice chancellors. See Attachment B.

22
23 Performance Review Process

24 Prior to awarding any increase to the Chancellor, presidents, or vice chancellors, an extensive performance
25 evaluation process took place, which is summarized as follows:

26
27 *For the Chancellor:*

28
29 In the fall of each year, the Chancellor and the Board agree on performance goals for the coming year. At the
30 end of the fiscal year, the Chancellor does a self-report to the Board presenting information related to his
31 progress toward achieving the goals agreed upon for the year. The Board then conducts an in-person evaluation
32 of the Chancellor. The Chair of the Board writes a letter to the Chancellor outlining the Board's perspective on
33 the Chancellor's performance. The Board then adopts a public statement related to the Chancellor's
34 performance which is read at an open public meeting.

35
36 *For the Vice Chancellors:*

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38 In the fall of each year, the vice chancellors and the Chancellor agree on performance goals for the coming year.
39 At the end of the fiscal year, the vice chancellor does a self-report to the Chancellor presenting information
40 related to his/her progress toward achieving the goals agreed upon for the year. The Chancellor then conducts
41 an in-person evaluation of the vice chancellor. The Chancellor sends a letter to the vice chancellor summarizing
42 the performance evaluation information.

43
44 *For the Presidents:*

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46 In the fall of the fiscal year, the presidents are sent work plan documentation asking them to provide a work
47 plan for the year, including setting targets for the president to achieve on various performance measurements
48 and including goals that are set by each president. These goals may include, but are not limited to:

- 49
50 • Improvement in the second fall persistence and completion rate for underrepresented students.
51 • Increasing the percentage of students taking science, technology, engineering and mathematics (STEM)
52 courses or the number of secondary teachers prepared for licensure in mathematics or science.
53 • Increasing the number of customized training students.

- 1 • Increasing the number of adult continuing education students.
- 2 • A college or university collaborative goal with another institution or community partner.
- 3 • Conducting college or university strategic planning activities.
- 4 • Expansion of assessment of student learning.
- 5 • Expansion of cost management or efficiency activities.
- 6 • Expansion of customized training for regional industries.
- 7 • Expansion of private and/or alumni giving.
- 8 • Expansion of outreach to and recruitment of high school students.
- 9 • Expansion of programs unique to the college/university.
- 10 • Expansion of K-12 and higher education partnerships.
- 11 • Implementation of globalization initiatives.
- 12 • Implementation of institutional or program accreditation projects.
- 13 • Implementation of sustainability initiatives.
- 14 • Improving community relations.
- 15 • Increasing employee and/or student diversity.
- 16 • Increasing enrollments in specific programs or courses.
- 17 • Increasing retention and student success.
- 18 • Improvement of student support services and/or development

19
 20 Near the end of the fiscal year, each president provides an updated work plan with accomplishments and a self-
 21 report on progress toward institutional goals and significant accomplishments. The Chancellor conducts an in-
 22 person evaluation meeting. The Chancellor then sends a letter to the president summarizing the performance
 23 evaluation information. Later in the fall, data is pulled with regard to performance measurements and targets,
 24 and any pay for performance is determined.

25
 26 Performance pay determinations for presidents and vice chancellors have not yet been made for Fiscal Year
 27 2010. These will be made after October due to the need to obtain adequate fiscal year data on which to base the
 28 performance assessment.

29
 30 Comparison of Salary Increases

31 A comparison of salary increases across the various bargaining units and personnel plans since Fiscal Year
 32 2008 follows:

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Employee Group	FY08	FY09	FY10	FY11
Chancellor	5.88% base increase effective 7/1/08 plus \$23,500 performance incentive	No base salary increase. Performance incentive of \$32,500	No base salary increases. Eligible for performance incentive of up to \$50,000	No base salary increases. Eligible for performance incentive of up to \$50,000
Presidents	Average of 5.24% in base increases effective 7/1/08 plus \$2,000 in performance incentives	No base salary increases. Performance incentives as shown on handout.	No base salary increases. Eligible for performance incentive of up to \$15,000.	No base salary increases. Eligible for performance incentive of up to \$15,000.
Vice Chancellors	Average of 6.05% effective 7/1/08 plus \$2,000 in performance incentives.	No base salary increases. Performance incentives as shown on handout.	No base salary increases. Eligible for performance incentive of up to \$15,000.	No base salary increases. Eligible for performance incentive of up to \$15,000.

MnSCU Administrators other than Chancellor, Presidents and Vice Chancellors	ATB or step increases not provided. Merit increases averaging 4.0 % effective 7/1/07.	ATB or step increases not provided. Merit increases averaging 5.0 % effective 7/1/08.	ATB or step increases not provided. No Merit Increases. No lump sum payments.	ATB or step increases not provided. No Merit Increases. No lump-sum payments.
AFSCME Steps average between 2.5 and 3.0%	3.25% ATB effective 7/1/07 plus steps for those not at maximum	3.25% ATB effective 7/1/08 plus steps for those not at maximum	No increases	Step increases for those below maximum of range.
MAPE Steps average 3.6%	3.25% ATB effective 7/1/07 plus steps for those not at maximum	3.25% ATB effective 7/1/08 plus steps for those not at maximum	No increases, except for Customized Training Reps.	Step increases for those below maximum of range. No increases for CTRs.
MMA Steps average 3.5%	3.25% ATB effective 7/1/07 plus steps for those not at maximum	3.25% ATB effective 7/1/08 plus steps for those not at maximum	No increases	Step increases for those below maximum of range.
Commissioner's Plan	3.25% ATB effective 7/1/07. Performance increases averaging 3.5% for those not at the top of their range, effective approximately Jan 1 2008	3.25% ATB effective 7/1/08. Performance increases averaging 3.5% for those not at the top of their range, effective approximately Jan 1 2009	No ATB or performance increases.	No ATB, but performance increases averaging 3.5 % for those not at the top of their salary range effective January 2011.
Managerial Plan	3.25% ATB effective 7/1/07. Performance increases averaging 3.5% for those not at the top of their range, effective approximately Jan 1 2008	3.25% ATB effective 7/1/08. Performance increases averaging 3.5% for those not at the top of their range, effective approximately Jan 1 2009	No ATB or performance increases.	No ATB, but performance increases averaging 3.5 % for those not at the top of their salary range, effective January 2011.
MSUAASF Steps average 3%	1.5% ATB effective 7/1/07 plus steps or lump sum for those at range maximum	1 step on 7/1/08; 1.5% ATB on 7/1/08	No increases, but payment of incentives for FY09.	No increases
MSCF Steps average 3%	\$500 ATB effective 7/1/07 to steps; plus one step; plus \$800 for all faculty	1 step to all returning faculty on 7/1/08; on 10/1/08 all at top got \$1250; 2/4/09 everyone got \$800 lump sum (pro-rated part time)	No increases, but payment of incentives for FY09.	No increases
IFO Steps average 2.4%	One step for all returning faculty plus career and promotion steps	Two steps for returning faculty on 7/1/08; 2% ATB on 7/1/08; and 2% on 1/5/09	No increases except for promotions and career steps	No increases except for promotions and career steps

Minnesota State Colleges And Universities
Performance Incentives Paid Pursuant To Individual Employment Agreements

Name	Title	Performance Incentive For FY09	FY09 Base Salary	Housing Allowance	Trans./Comm. Allowance	FY09 Total Cash Compensation
John O'Brien	Interim President at Century College	\$6,000	\$152,500		\$7,200	\$165,700
Larry Anderson	Interim President of Fond du Lac Tribal & CC	\$6,000	\$140,000		\$7,200	\$153,200
Cecilia Cervantes	President Hennepin Technical College	\$9,000	\$164,000		\$7,200	\$180,200
Kevin Kopischke	President Alexandria Technical College	\$6,000	\$167,826		\$7,200	\$181,026
Patrick Johns	President Anoka Ramsey Comm. College	\$6,000	\$178,150		\$7,200	\$191,350
Anne Weyandt	President Anoka Technical College	\$0	\$141,770		\$7,200	\$148,970
Jon Quistgaard	President Bemidji State University	\$6,000	\$253,991	\$24,000	\$7,200	\$291,191
Larry Lundblad	President Central Lakes College	\$12,000	\$158,547		\$7,200	\$177,747
Ronald Thomas	President Dakota Technical College	\$9,000	\$165,188		\$7,200	\$181,388
Cheryl Frank	President Inver Hills Community College	\$6,000	\$174,600		\$7,200	\$187,800
Kathleen Nelson	President Lake Superior College	\$0	\$164,546		\$7,200	\$171,746
Sue Hammersmith	President Metropolitan State University	\$9,000	\$225,000	\$24,000	\$7,200	\$265,200
Phillip Davis	President Minneapolis Comm. & Tech College	\$9,000	\$182,388		\$7,200	\$198,588
James Johnson	President Minnesota State College-Southeast Technical	\$9,000	\$160,662		\$7,200	\$176,862
Ann Valentine	President Minnesota State Comm. & Tech College	\$6,000	\$169,708		\$7,200	\$182,908
Richard Davenport	President Minnesota State University, Mankato	\$6,000	\$274,300	\$24,000	\$7,200	\$311,500
Edna Szymanski	President Minnesota State University. Moorhead	\$9,000	\$225,000	\$24,000	\$7,200	\$265,200
Richard Shrubb	President MN West Comm. & Tech College	\$3,000	\$151,387		\$7,200	\$161,587
Mary Collins	President NE Higher Education District	\$6,000	\$162,025		\$7,200	\$175,225
Joseph Opatz	President Normandale Community College	\$9,000	\$173,827		\$7,200	\$190,027
Ann Wynia	President North Hennepin Community College	\$3,000	\$180,325		\$7,200	\$190,525
Anne Temte	President Northland Comm. & Tech College	\$6,000	\$160,834		\$7,200	\$174,034
Robert Musgrove	President Pine Technical College	\$9,000	\$154,668		\$7,200	\$170,868
Douglas Allen	President Ridgewater College	\$9,000	\$171,356		\$7,200	\$187,556
Terrence Leas	President Riverland Community College	\$6,000	\$158,547		\$7,200	\$171,747
Donald Supalla	President Rochester Comm. & Tech College	\$6,000	\$179,483		\$7,200	\$192,683
Donovan Schwichtenberg	President Saint Paul College	\$6,000	\$169,323		\$7,200	\$182,523
Earl Potter	President Saint. Cloud State University	\$9,000	\$274,300	\$24,000	\$7,200	\$314,500
Joyce Helens	President Saint. Cloud Technical College	\$6,000	\$160,834		\$7,200	\$174,034
Keith Stover	President South Central College	\$6,000	\$164,947		\$7,200	\$178,147
David Danahar	President Southwest Minnesota State University	\$9,000	\$245,700	\$24,000	\$7,200	\$285,900
Judith Ramaley	President Winona State University	\$12,000	\$233,454	\$24,000	\$7,200	\$276,654
Linda Baer	Sr Vice Chancellor - Academic/Student Affairs	\$9,000	\$243,711		\$7,200	\$259,911
William Tschida	Vice Chancellor - Human Resources	\$9,000	\$166,141		\$7,200	\$182,341
Kenneth Niemi	Vice Chancellor for Info Technology Systems & CIO	\$6,000	\$180,342		\$7,200	\$193,542
Laura King	Vice Chancellor, Finance	\$12,000	\$204,728		\$7,200	\$223,928
		\$255,000	\$6,634,108	\$168,000	\$259,200	\$7,316,308