


<b>Policy Title</b>	<b>Compensation</b>
<b>Effective Date</b>	February 1, 2024
<b>Supersedes</b>	Salary – Demotion Policy, Salary – Lateral Transfer Policy, and Salary – Promotion Policy.
<b>Approval</b>	 <b>Matthew A. Brown</b> State Personnel Director
<b>References</b>	IC 4-15-2.2; 31 IAC 5; Financial Management Circulars

## PURPOSE

This policy prescribes the State's processes for authorizing compensation decisions consistent with the State's established Classification and pay plans.

## SCOPE

This policy shall apply to all agencies in the executive branch of State government subject to the State Civil Service System.

## POLICY STATEMENT

Four primary objectives drive the State's compensation strategy:

- 1) Maintaining market competitiveness;
- 2) Striving for internal equity;
- 3) Reinforcing a performance-based culture; and
- 4) Considering the State's fiscal conditions and policies

The State's established pay plans assign each Classification to a pay grade, and each pay grade is subject to a Salary Range. These Salary Ranges most often reflect the median value of the salaries offered in the market. Employees must be compensated between the minimum and maximum of the Salary Range unless approved by the Indiana State Personnel Department (INSPD) and the State Budget Agency (SBA).

To maintain the pay plans' market competitiveness, the State will evaluate market conditions on an annual basis. Depending on the State's fiscal condition and priorities, the State may increase employee wages through a General Salary Adjustment to account for market conditions. The State may also adjust some or all Salary Ranges as a result of the analysis.

In addition to market competitiveness, the State strives to maintain internal equity by weighing the following factors among similarly-classified employees:

- 1) Classification's Salary Range
- 2) Recruitment or retention difficulties
- 3) Scope of work responsibilities and job tasks

- 4) Proficiency level, education, training, knowledge, skills, abilities, relevant professional or educational experience
- 5) Service with the State
- 6) Documented performance

The State's Performance Management Policy also outlines how the State will evaluate and reward performance following the annual performance evaluation process if approved by SBA and the Office of the Governor. Additionally, Spot Bonuses may be issued consistent with SBA's Financial Management Circulars and INSPD's Spot Bonus Policy to reward performance throughout the year.

## DEFINITIONS

**Above Minimum:** Hiring a candidate at a salary that is greater than the minimum salary of the specific job Classification.

**Benchmarking:** The process of comparing jobs and their assigned salaries with market data. Salary Benchmarking involves analyzing the main functions of each position and comparing these positions to similar jobs in the labor market. A Benchmarking analysis focuses on matching job duties, responsibilities, and roles and then comparing the salaries of those relevant matches.

**Classification:** Identifies a group of positions in the state civil service as determined by INSPD to have sufficiently similar duties, authority, and responsibility such that

- 1) The same qualifications may reasonably be required, and
- 2) The same schedule of pay can be equitably applied to all positions in the group.

Classifications are identified with a unique Job Code based on its assignment by INSPD to a Job Category, Job Series, and Skill level.

**Compensation and Classification Review (CCR):** A process during which representatives from INSPD, State Budget Agency (SBA), Office of Management and Budget (OMB), and the Office of the Governor are tasked with managing and reviewing requests for new positions, Executive Hires and corresponding compensation requests, pay plan changes, requests inconsistent with INSPD policy, and any compensation-related requests defined under SBA's Financial Management Circulars and the Compensation policy.

**Compensation Consultant:** Representative from the INSPD Compensation & Organizational Design Division authorized by INSPD to approve and advise on compensation, classification, and position management decisions.

**Demotion:** The movement of an employee from one Classification to another Classification in a salary grade with a lower maximum salary.

**Doublefill:** When a position is occupied by more than one employee.

**Executive Hire:** Applies to most hires into a job Classification with a Job Code beginning with 00EX- or 00EN.

**Exempt:** Exempt work is not eligible for premium overtime compensation under the Fair Labor Standards Act and the Financial Management Circular that implements 31 IAC 5-7-3. This

exemption applies to bona fide executive, administrative, and professional positions. An employee's specific job duties and salary must meet all the requirements of the US Department of Labor's regulations to qualify for an FLSA status of "Exempt."

General Salary Adjustment (GSA): An increase of the base salaries of state employees. Bonuses or other benefits that do not increase the base salaries of state employees shall not be considered general salary increases.

HR Representative: Representative from the INSPD Field Operations Division (e.g., HR Director, HR Manager, HR Business Partner) assigned to an agency to provide guidance and consultation regarding HR functions and issues.

Job Analysis Questionnaire (JAQ): A comprehensive tool utilized by INSPD to evaluate a position and assign it to a Classification, Job Category, Job Series, and a Skill Level based on job tasks, how the job is performed, and the requirements to execute the identified job duties and responsibilities. A JAQ is completed by an employee and reviewed by the employee's supervisor. It seeks information on the following: the purpose of position; duties, knowledge, and abilities required for the position; specialized tools, equipment, and machines necessary to perform the job; job requirements; certifications, licenses, or other special training necessary to perform the job; principles, theories, and/or precedents required to perform the job; level of understanding required; scope of responsibility; difficulty of work; instruction needed; consequence of error; work relationships; decision making; special regulations or precautions; work environment; and physical requirements.

Job Category: Identifies a group of job Classifications that share a broad commonality with respect to the type of function expected to be performed. The Job Categories utilized within the State's Classification system are as follows:

- 1) Clerical, Office Machine Operators, and Technicians (COMOT)
- 2) Executive, Scientific, and Medical (ESM)
- 3) Labor, Trades, and Crafts (LTC)
- 4) Professional, Administrative, and Technological (PAT)
- 5) Protective Occupations – Law Enforcement (POLE)
- 6) Supervisors and Managers (SAM)

Job Code: Used along with Classification titles, a number and letter combination that indexes a Classification. A person may not be appointed to or employed in a position in the State Civil Service System unless the State Personnel Director has approved the Classification and Job Code as appropriate to the duties to be performed.

Job Series: Identifies a group of positions that have similar areas of expertise, typically organized by varying Skill Levels.

Lateral Transfer: The reassignment of an employee from one position to another position in the same Classification or to another Classification with essentially the same basic qualifications and the same Salary Range.

Promotion: The movement of an employee from one Classification to another Classification in a salary grade with a higher maximum salary.

Salary Adjustment: A change to an employee's pay without an accompanying change to their job Classification.

Salary Range: Pursuant to IC 4-15-2.2-27(b), the pay plan must provide, for each class of positions, a minimum and maximum rate of pay as well as any intermediate rates of pay that the State Personnel Director considers necessary or equitable. In establishing the rates, the Director shall consider the following factors:

- (1) the experience in recruiting for positions in the State Civil Service System;
- (2) the prevailing rates of pay for the service performed and for comparable services in public and private employment;
- (3) the cost of living;
- (4) benefits, other than the rate of pay, available to or received by employees; and
- (5) the State's fiscal condition and policies.

SBA Budget Analyst: Representative from SBA authorized to approve and advise on fiscal matters related to agency compensation and position management decisions.

Skill Level: Used to indicate the difficulty or complexity of the job-related duties and requirements within a Job Series; Skill Level is a number, with 1 generally being the highest level within a Job Series and Job Category.

Underfill: When an employee is classified within the same Job Series but at a lower Skill Level than the Classification of the position they occupy. This typically occurs if the employee is functioning at the lower Skill Level. Underfills are used when the employee does not yet meet the minimum qualifications for the Skill Level of the position or is in training.

## RESPONSIBILITIES

State Personnel Director is responsible for:

- Preparing and administering the State's Classification and pay plans and related policies.
- Serving as the authority over statewide Classification policy and pay plans.
- Recommending to the SBA and Office of the Governor changes to the pay plans.
- Coordinating with SBA to submit for review to the Budget Committee pay plan adjustments for which all employees are generally eligible.

Agency Appointing Authority and/or their designee is responsible for:

- Adhering to the State Civil Service System of personnel administration, per IC 4-15-2.2-12(c).
- Reporting each appointment, Lateral Transfer, Promotion, Demotion, and change in pay to INSPD.
- Administering this policy consistently.
- Compensating employees within the Salary Range of their Classification.
- Providing the agency's HR Representative with any information and documentation requested that pertain to a salary change request.
- Seeking advance approval for salary changes from INSPD through defined processes.

Applicants are responsible for:

- Timely submission of all the supporting documentation necessary for determining an appropriate starting salary.

Employees are responsible for:

- Accurately and timely completing JAQs, whether completed on the employee's own initiative or at the direction of an agency or INSPD.
- Notifying INSPD or their supervisor if they do not understand their job responsibilities or believe they are performing work that is not appropriate for their Classification.

Facilities hiring direct care nurses<sup>1</sup> are responsible for:

- Initiating annual increase transactions for affected nurses.
- Ensuring that direct care nurses who fail to meet performance expectations are not moved to the next step on the step plan.

HR Representatives are responsible for:

- Documenting and submitting to INSPD Compensation & Organizational Design Division the justification for any salary changes consistent with the factors permitted to be considered under this policy.
- Advising employees and supervisors of current salary policies and any adjustments to employees' salaries.
- Submitting requests for exceptions through the designated procedures and forms for INSPD and SBA approvals as necessary.
- Assisting employees and supervisors in the completion of JAQs.

INSPD is responsible for:

- Assigning all positions to a Classification.
- Assigning all employees a salary within the Salary Range of the assigned Classification.
- Monitoring market trends and other factors to keep the State's Classification and compensation system competitive while balancing the State's fiscal policies.
- Reviewing salary change requests.
- Administering the State's pay plans.
- Interpreting and effectuating this policy.
- With respect to direct care nurses, INSPD is responsible for
  - identifying the nurse Classification(s) to which this policy applies;
  - determining which degrees, licenses, and experiences will be included in the calculations for credit in the application of this policy to specific Classifications and positions; and
  - making market-based adjustments to the step plan when necessary and in accordance with available funding and budgetary constraints and policies.

Supervisors are responsible for:

- Adhering to the State Civil Service System of personnel administration, per IC 4-15-2.2-12(c).
- Reviewing JAQs for accuracy and completeness and adding additional context or information to the employee's information prior to submission.
- Seeking approval for salary changes from INSPD through designated processes.
- Documenting and retaining the justification for any salary changes consistent with the factors permitted to be considered under this policy.
- Notifying the agency's HR Representative of any requested exception.

---

<sup>1</sup> Applies only to facilities and job Classifications subject to the Nurse Hiring policy referred to later in this document.

SBA is responsible for:

- Reviewing position or salary change requests to ensure available fiscal resources.

## **PROCEDURES**

Decisions determining or changing an employee's compensation require approval from INSPD to ensure equity and appropriate placement in a Salary Range. Some salary assignments or changes may also require SBA or CCR approval to ensure appropriate budget and position management.

Pursuant to 31 IAC 5-5-1, a new hire's salary is generally presumed to be the minimum of the Salary Range unless specific criteria or exceptions are satisfied. The procedures outlined below dictate the approval processes that must precede a request for increasing or otherwise changing an employee's compensation in various situations.

### **Above Minimum New Hire Salary**

An agency's Appointing Authority or delegate may request the HR Representative initiate a request for a new employee's compensation rate to be above the minimum of the Salary Range as a normal step in the State's hiring process. This includes transfers from state agencies who do not utilize the State's Classification System and pay plans. When reviewing an Above Minimum New Hire Salary request, INSPD shall require a robust justification from the hiring agency, which may include the following factors, to determine the appropriate Above Minimum salary for the candidate:

- the Classification's Salary Range;
- agency's recruitment or retention difficulties;
- position's scope of work responsibilities and job tasks; and
- the candidate's proficiency level, education, training, certifications, knowledge, skills, abilities, or relevant professional or educational experience.

However, the above list of factors is not exhaustive, and INSPD may require additional information from the hiring manager or candidate.

Approval for new hire salaries that are above the minimum of the Salary Range, but less than the 25<sup>th</sup> percentile of the Salary Range, must be approved by a Compensation Consultant with agreement by the HR Representative.<sup>2</sup>

Salary requests exceeding the 25<sup>th</sup> percentile of the Salary Range will require the approval of an SBA Budget Analyst in addition to the Compensation Consultant.

Requests for an Executive Hire may require additional approval through the CCR.

### **Internal Position Changes**

Promotions, Demotions, and Lateral Transfers require the supervisor to coordinate and communicate, in advance of making a salary offer to the employee, with INSPD to determine the appropriate salary for the selected individual. The following factors must be considered when determining the new rate of compensation: the number of salary grades between the former and new Classification; the employee's current salary in relation to the new salary grade; the difference in the level of difficulty and scope of responsibility between the former and new position; and the

---

<sup>2</sup> SBA has delegated authority to INSPD to approve a new hire's compensation up to the 25<sup>th</sup> percentile of their Salary Range.



employee's past performance evaluations. Other factors may be considered to ensure internal pay equity within the Classification and agency.

**Promotions:** Promotion compensation requests are to be submitted by an HR Representative as a step in the hiring process or in conjunction with a job reclassification or underfill removal. While the minimum salary of the employee's new Classification is the generally presumed salary recommendation, INSPD will review internal equity criteria, as described in sections above, to determine the appropriate salary for the employee in partnership with the promoting agency. The resulting compensation rate must be within the Salary Range of the Classification to which the employee is promoting and appropriate considering all relevant factors required under this policy.

- All compensation changes resulting from a Promotion must be approved by a Compensation Consultant.
- Increases greater than 15% require the approval of the INSPD Director of Compensation.

**Lateral Transfers:** The compensation rate of an employee who transfers laterally from one position in the State Civil Service System to another position in the State Civil Service System shall normally not be increased or decreased unless one or more of the following factors necessitate an adjustment: internal equity, a material increase or decrease in the employee's scope of job responsibilities or difficulty of work, the removal or addition of supervisory duties, or recruitment and retention difficulties.

- Lateral Transfer compensation requests require approval from a Compensation Consultant.
- Increases greater than 7% require the approval of the INSPD Director of Compensation.

**Demotions:** Demotions may be voluntary or involuntary. The resulting compensation rate must be within the Salary Range of the Classification to which the employee is demoting and appropriate considering all relevant factors, including internal equity. If an employee voluntarily demotes into their previous job Classification within twelve (12) months of promoting, unless internal equity necessitates otherwise, the employee's pay shall be reduced by the amount equal to the Promotional increase received.

- Regardless of voluntariness, all compensation changes resulting from a demotion must be approved by a Compensation Consultant.
- Requests resulting in more than a 20% decrease require approval of the INSPD Director of Compensation.

### **Salary Benchmarking**

Salary benchmarking is an essential step in INSPD's compensation strategy and pay plan design. A selection of key and critical job Classifications should be reviewed and compared against similar roles in other organizations or the market at least every five years. INSPD will utilize at least three salary Benchmarking survey sources to conduct the market Benchmarking every five years as well as routine market research. Additionally, Consumer Price Index (CPI) data may be reviewed for the relevant period for comparative purposes.

### **General Salary Adjustment**

INSPD shall review annually employee compensation to assess market competitiveness and strive to ensure employees maintain the value of their compensation against inflation or other economic changes. As a result of the annual review, INSPD may recommend employees receive a GSA. Generally, a GSA is a consistent salary change that is applied to all eligible employees as a percentage or flat-dollar, base-building increase. These increases are not viewed as merit increases or those resulting from exceptional job performance.

Recommendations relating to a GSA, including whether an adjustment should occur, data informing the adjustment, and the amount of any percent adjustment, will be made from INSPD and SBA to the Office of the Governor. Employee salary adjustments, as outlined in this section, are not guaranteed and are dependent on many factors, including the current fiscal and budgetary position and policies of the State, and require approval from the Office of the Governor.

### **Salary Range Adjustment**

A Salary Range adjustment may correlate with a GSA. A Salary Range adjustment is a mechanism by which Salary Ranges are shifted to account for changes in market conditions and is applied as a percent increase to the minimum and maximum salaries of each salary grade, resulting in the midpoint being adjusted accordingly. If a Salary Range adjustment is recommended, it should be at least 50% of the GSA amount. For example, if the GSA recommendation was a 5% increase for employees, the Salary Range adjustment recommendation would be between 2.5% and 5%.

Recommendations relating to a Salary Range adjustment, including whether an adjustment should occur, data informing the adjustment, and the amount of any percent adjustment, will be made from INSPD and SBA to the Office of the Governor. Salary Range adjustments, as outlined in this section, are not guaranteed and are dependent on many factors, including the current fiscal and budgetary position and policies of the State, and require approval from the Office of the Governor.

### **Other Compensation Adjustments**

An Appointing Authority may request an analysis from INSPD of an employee's compensation if they believe market conditions or internal equity have substantially changed relative to that employee or their Classification. All requests must first be made to the appropriate HR Representative for review and consultation and must include a detailed justification and reflect consideration of internal equity. Compensation adjustments, as outlined in this section, require the approval of the INSPD Director of Compensation; however, adjustments are not guaranteed and are dependent on many factors.

An Appointing Authority may request a temporary or permanent adjustment to an employee's compensation based on additional or a change in duties that do not warrant a change in Classification. Most changes in duties will not necessitate a compensation change. A change may be appropriate if the additional duties are more complex, require a broader scope of authority, or require higher-level knowledge, skills, or abilities. For example, an increase may be appropriate when an employee assumes the duties of a coworker while the person is on a leave of absence.

- Temporary or permanent adjustments require the approval of a Compensation Consultant.
- Any increase greater than 7% must be approved by the INSPD Director of Compensation and an SBA Budget Analyst.

If an Appointing Authority has assigned additional duties to an employee for more than four consecutive calendar weeks, and if the temporary assignment consists of additional duties normally performed by a higher Classification, a JAQ must be completed. If the JAQ demonstrates that the employee is working at a higher Classification, as determined by a Compensation Consultant, the appointing authority must compensate the employee within the Salary Range of that higher Classification. If the employee is already compensated within the Salary Range of the higher Classification, a temporary salary adjustment may be recommended by the Compensation Consultant. The salary adjustment shall be rescinded when the temporary work is no longer



assigned. If the additional work is not intended to be temporary, a reclassification request must be submitted.

An Appointing Authority may assign an employee the duties of a Working Leader designation, which requires the employee to perform much of the same work as other employees in their Classification and on their direct team but also serve as a lead employee who may assign, direct, or review others' work. An employee serving as a Working Leader will receive a 5% compensation increase while performing Working Leader duties, subject to the approval of a Compensation Consultant.

An employee utilizing bilingual skills for 50% or more of their daily essential duties in a position for which being bilingual is preferred will receive a 5% compensation increase while performing those duties, subject to the approval of a Compensation Consultant.

### **Nurse Salary Policy**

Due to the labor market for direct care nurses, a separate policy governing nursing staff pay is necessary. Only Classifications designated as direct care nurse are governed by the [Nurse Hiring and Compensation Policy](#).

### **Salary and Performance Management for Teachers**

All executive branch employees appointed to the Institutional Teacher, Teacher of the Deaf, and Teacher of the Blind & Visually Impaired Classifications adhere to the [Teacher Compensation and Performance Management Policy](#). This policy establishes procedures for calculating salaries and non-base-building bonuses for employees in impacted Classifications.

## **FORMS & RESOURCES**

**Compensation and Organizational Design** | [Compensation Webpage](#)

**Classification Plan and Position Management Policy** | [Classification Plan & Position Management Policy](#)

**Core Competencies and Job Architecture** | [Core Competencies & Job Architecture Webpage](#)

**Financial Management Circulars** | [Financial Management Circulars](#)

**Job Code Listing** | [Job Code Listing](#)

**Working Leader Guidelines** | [Working Leader Guidelines](#)

**Spot Bonus Policy** | [Statewide Spot Bonus Policy](#)

**CPA bonus memo** | [Certified Public Accountant \(CPA\) Award Policy](#)

-----END-----