2006 Salary Review

Handbook for Human Resources

This Publication is intended for Human Resources to support managers of U.S. salaried employees throughout Boeing.

Contents

Introduction

Boeing's Salaried Job Classification, Performance and Pay systems are designed to attract, retain, and develop people who are critical to meeting Boeing's global business needs. One of the most important ways we ensure we continually meet its objectives is through Salary Review—the process by which managers review and adjust (as appropriate) the salaries of their direct reports.

Salary Review Handbook for Human Resources was developed to provide Human Resources with information about Salary Review to assist in providing advice and counsel to managers. Print it and keep it handy for reference throughout the Salary Review process.

Overview of Salary Management at Boeing

Salary Management is the set of processes for determining appropriate pay for an employee throughout all stages of the employee's career. Because managers play a key role in Salary Management at Boeing—particularly its Salary Review process—it is important to have an understanding of its objective and the steps involved with managing employee salaries.

Salary Management Objective

The objective of Salary Management is to offer salaries that

- Are competitive in the marketplace.
- Are equitable within the company.
- Reflect the value of the employee's contribution to the business.
- Are consistent with the business environment.

This Boeing Salary Management objective is illustrated in the following employee salary model:

Competitive

- Salary relative to market

Value of Contribution

- Integrated Performance Assessment
  - Performance Evaluation
  - Contribution relative to peers

Business Environment

- Business performance
- Profitability
- Contractual obligations
- Regulatory and statutory compliance

Employee's Salary

Equitable

- Salary relative to peers

Salaried Job Classification, Performance and Pay Cycle

The following model depicts the Salaried Job Classification, Performance and Pay cycle and how Salary Management processes help us determine initial salary and then adjust salaries as appropriate through Salary Review.

Matching Qualified Employees to the Right Job (Salaried Job Classification)

Four distinct steps are involved in matching qualified employees to the right job:

- **Identify Work.** Clarifies the business need for a job to be filled.
- **Define Job and Classification Level.** Describes the job duties and tasks for which an employee will be responsible and the competencies necessary to successfully perform the job duties and tasks.
- **Select Candidate.** Uses structured interview questions that use the skills and competencies associated with the job to guide the interview process and select an appropriate candidate.
- **Determine Salary.** Identifies an appropriate salary based on the job candidate's total years of experience, experience in the specific job and job level, and educational background compared to the existing peer group for that job.
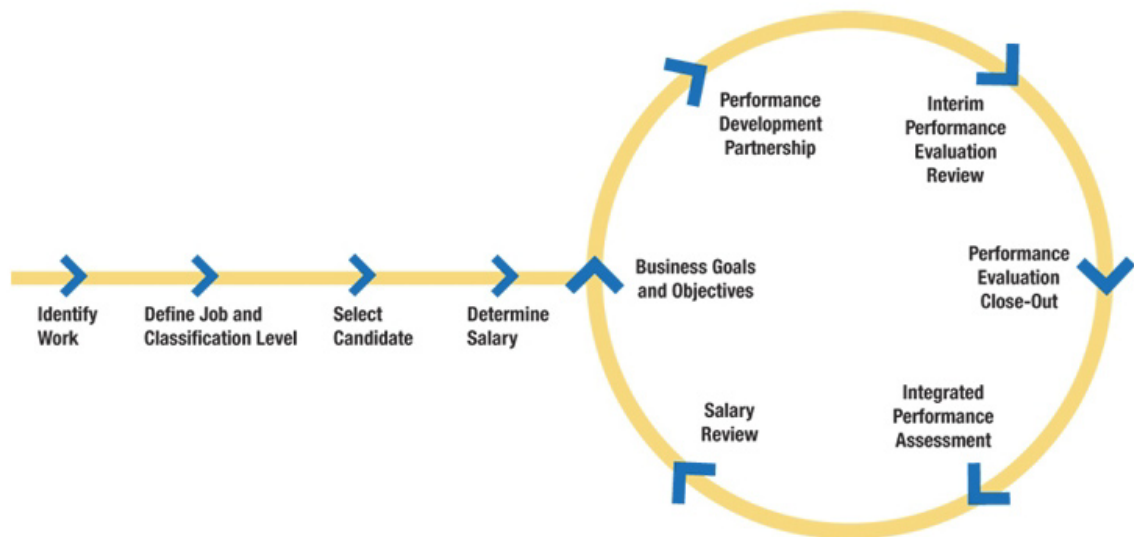
Performance and Pay

Several steps are involved in managing performance and pay:

- **Business Goals and Objectives (BG&Os).** Uses an employee's job description, competencies, and business unit goals and objectives. BG&Os help clarify the employee's role, responsibilities, and his or her manager's expectations for performance throughout the year.

- **Performance Development Partnership.** Encourages a "partnership" between an employee and his or her manager to work on professional and personal growth.

- **Interim Performance Evaluation Review.** Gives employees and managers the opportunity to meet to discuss progress toward BG&Os and, as appropriate, modify them.

- **Performance Evaluation close-out.** Provides an assessment of employee performance relative to BG&Os and Performance Values.

- **Integrated Performance Assessment.** Describes the employee's performance during the review period based on achievement of BG&Os, Performance Values overall rating, and contribution relative to employees in the same job family and level.

- **Salary Review.** Determines a competitive salary based on factors relating to job classification, performance, value of contribution, market competitiveness, and business environment.

Overview of Salary Review Elements

Within the Salaried Job Classification, Performance and Pay cycle, there are key elements that feed into the Salary Review process. These elements include

- Training.
- Performance Evaluation (PE) close-out.
- Integrated Performance Assessment (IPA).
- Pay Visibility Tool (PVT).
- Manager's determination of salary decisions.
- Oversight management review of salary decisions.
- Human Resources role in Salary Review.
- Communicating salary results.

An overview of each element is provided below.

Training

Boeing has developed—and continually updates and supplements—a comprehensive training program for Salaried Job Classification, Performance and Pay. Among the resources available are a variety of web-based training courses, including:

Boeing Data Privacy Directions Awareness TR 007991 (formerly HR Sensitive Data)—This required 30-minute course provides a foundation of critical privacy principles for access to the Pay Visibility Tool if the HR Sensitive Data course (course numbers TR 006713, TR 001844 or TR 065979) was not completed in 2004.

Salaried Job Classification, Performance and Pay TR 008518—This recommended 30-minute course assists Human Resources in helping managers and employees understand Salaried Job Classification, Performance and Pay and how each set of processes are related.

Your Job Classification...and Why It's Important—This recommended 10-minute trainer explains how the Salaried Job Classification (SJC) works.

Performance Evaluation Close-Out TR 008517—This recommended 30-minute course assists Human Resources in providing managers with direction on completing the PE process and using the results to make an Integrated Performance Assessment for each employee. It is required for access to the Pay Visibility Tool if the Performance Evaluation Close-Out training (course numbers TR 006511 or TR 005130) was not completed in the past.

2006 Salary Review—This required 30-minute course reviews and clarifies the steps and responsibilities of the Salary Review process.

For more information about these and other web-based training and education resources, visit *http://hr.web.boeing.com/index.aspx?com+9&id=91*.

Performance Evaluation Close-Out

Each year, the PE process concludes with evaluations of each employee's performance relative to Business Goals and Objectives and Performance Values established for the employee. The PE is considered closed-out once the manager and employee have added final signatures to the employee's web-based form.

Integrated Performance Assessment

The Integrated Performance Assessment (IPA) is a single assessment made by the manager each year and summarizes each employee's

- Accomplishment of stated Business Goals and Objectives.
- Performance according to the Performance Values.
- Value of contribution compared to employees in the same job family and level.

IPAs are determined by selecting the most appropriate of five rating options: exemplary, highly effective, effective, moderately effective, and not effective. For more information about these rating options, see the 2005 *Performance Evaluation Handbook for Managers*.

Pay Visibility Tool

The interactive Pay Visibility Tool (PVT) provides information to assist the manager in making appropriate salary decisions that are:

- **Competitive.** Using a variety of inputs—including competitive pay data located within the Salary Reference Tables on the Salaried Job Classification System—an Individual Salary Decision Range (ISDR) is calculated for each employee and provided to managers in PVT.
- **Equitable.** Comprehensive comparison reports clarify salary differences between and among groups and help assess those differences for appropriateness.
- **In Line With Value of Individual Contribution.** The ISDR that PVT provides for each employee is based, in part, on the employee's IPA. PVT also gives managers related performance data and links to PEs.
- **Appropriate for Our Business Environment.** PVT helps to ensure salary decisions remain within prescribed budgets and meet contractual requirements.

Manager's Determination of Salary Decisions

The manager should consider all four elements of the employee salary model and how they interrelate to determine an individual's salary that will drive business results in an appropriate manner. The resulting salary decisions should reflect adjustments that differentiate employees based on the relative values of their contributions.

Oversight Management Review of Salary Decisions

Oversight managers review Salary Review decisions to ensure appropriate results across the organization, function and/or skill.

Organizational Oversight managers have primary responsibility for oversight of salary decisions. At each level, they are responsible to

- Act as a resource for subordinate managers.
- Review summary budget reports from an organizational perspective.
- Balance allocated budget (must balance at the vice president level).
- Verify all contractual obligations have been met.
- Review Variance from Midpoint report.
- Verify eligible employees on leave of absence were appropriately considered.
- Communicate the results of all reviews and coordinate any recommended changes with the manager of record.
- Provide executive approval for salaries outside the Individual Salary Decision Range.
- Consider Functional/Skill Team recommendations, as appropriate.
- Obtain approvals, as appropriate.
- Verify salaries were reviewed by checking the "Salaries Reviewed" box in PVT.

Functional/Skill Oversight managers have visibility of results for their skill and are responsible to

- Review internal skill equity.
- Choose to provide summary data to organization.
- Make recommendations, as appropriate.

Human Resources Role in Salary Review

- Complete training.
- Ensure Department Mapping Table is accurate.
- Ensure employees are properly aligned to manager of record.
- Ensure Pay Visibility Tool is accurate (structure, classification).
- Be aware of all key dates and understand implications, particularly rework that may result for job code and/or salary changes that occur between February 3 and March 3 including actions processed retroactively.
- Build functional/skill tree.
- Partner with Compensation.
- Provide advice and counsel to managers on the process and tool.
- Verify all employees are assigned an Integrated Performance Assessment.
- Check accuracy of salary results.
- Verify Salary Review budget balances (at a minimum, vice president level budget must balance).
- Verify that all contractual obligations have been met, including union budget allocated appropriately.
- Verify all eligible leave of absence employees were appropriately considered.
- Verify appropriate "outlier recommendation" has been indicated (Puget Sound).

Communicating Salary Results

After all salary results have been verified and fed to Payroll, managers use the PVT to print (or create an electronic file of) a salary notice for each eligible direct report. (Human Resources may assist managers in printing salary notices.) With that salary notice as a basis for discussion, the manager meets with each employee to discuss the employee's IPA and resulting salary, describe the processes that were followed, and explain how Salary Review principles and objectives were applied.

Guidance for Key Steps Associated With Salary Review

The following outlines a manager's roles and responsibilities and provides guidance for key steps associated with salary review.

- Determine Integrated Performance Assessments.
- Make appropriate salary decisions.
  - Verify appropriate classifications.
  - Understand hire and leave of absence requirements.
  - Be aware of reclassification freeze dates.
  - Understand Salary Reference Tables.
  - Use the Individual Salary Decision Range.
  - Understand lump sum versus salary adjustments.
  - Meet contractual obligations.
  - Adhere to the budget.
  - Review outliers for decision appropriateness (Puget Sound).
  - Secure executive approval for decisions outside the Individual Salary Decision Range.
  - Retain Salary Review records.
  - Know appeal process.
- Communicating IPA and Salary Review results.
  - Communications checklist.
  - Dos and don'ts for discussing IPAs and salary decisions.
  - Handling employee reactions.
  - Discussing scenarios (will be updated at a later time).

Determine Integrated Performance Assessments

Although it is determined by managers during the PE process, the IPA is a critical component of the Salary Review process.

After all IPAs have been entered and finalized in the Pay Visibility Tool, they will be used to help determine an Individual Salary Decision Range (ISDR) for each employee. For additional information, please review the *Performance Evaluation Handbook for Managers*.

Make Appropriate Salary Decisions

Ultimately, the manager's responsibility in the Salary Review process is to make salary decisions that are consistent with the Boeing Salary Management objectives.

The following guidelines—in combination with a variety of tools and resources provided by the company—will help managers ensure that salary decisions made for direct reports are appropriate.

Verify Appropriate Classifications

To ensure competitive salaries, employees must be correctly classified.

The Salaried Job Classification (SJC) system describes each job and level of responsibility and is used to compare jobs within the company and within the competitive market. Managers should take care to ensure employees are correctly classified.

✔ Why This Is Important

Proper classification of a job is critical to demonstrate to employees a connection between the work they are doing and their pay. It also facilitates accurate salary comparisons to the market and to peers and assists in defining available and needed resources.

Understand Hire and Leave of Absence Requirements

Employees recently hired or on extended leave of absence (continuous leave of more than 180 days before base file date) may not be eligible to participate in Salary Review.

An assessment of performance compared with peers is required for an individual to be considered for a salary adjustment. Because of the limited time available to adequately assess their performance, employees recently hired or on an extended leave of absence will not receive an IPA or participate in 2006 Salary Review. Requirements include

- Employees on leave of absence.
  - If a direct report has been on leave of absence status for 180 days or less as of the base file date (February 3, 2006), the manager will make a salary decision for that employee. Salary adjustments, if any, have the same effective date as for other employees in the population.
  - Employees on continuous leave for more than 180 days (before August 8, 2005) are excluded from the Salary Review exercise.
- Effect of external hire date.
  - Employees hired on or after November 1, 2005, will not receive an IPA or participate in 2006 Salary Review because of the limited time available to adequately assess their performance.

✔ Why This Is Important

Managers need time to adequately assess employee performance. Managers are key to explaining the reasons to employees on why they may not be participating in Salary Review.

Be Aware of Reclassification Freeze Dates

If an employee's job classification needs to change, the reclassification must be processed and effective by January 13, 2006, for the change to be reflected in Salary Review (unless the change is a result of an opening in BESS).

The Salary Review process involves a series of dependent steps—and freezing job classifications within the Human Resources Management System (HRMS) is one of those dependencies. Minimal changes to HRMS are desired during specified periods of Salary Review. While job classification changes may occur during this time, they are processed on a case-by-case basis as dictated by business needs. In particular:

- The Individual Salary Decision Range (ISDR) is calculated based on the employee's job classification and salary that is in the system on February 3, 2006. Employee job classifications or salary changes that are processed after the ISDR is calculated and through March 3, 2006, will be visible in the Pay Visibility Tool. However, the ISDR will not be recalculated and may no longer be accurate. This will likely require the manager to rework his or her salary plan.

- No transactions that affect an employee's job classification or salary are to be processed with a March 3, 2006, effective date. Changes to an employee's job classification or salary effective after March 3, 2006, must be processed after March 13, 2006. The manager, partnering with HR, will need to ensure the employee's salary correctly reflects both the Salary Review decision and the reclassification.

✔ Why This Is Important

Job classification and annual salary are elements included in the ISDR calculation. If incorrect or inappropriate SJC or salary data is not changed in time, additional steps may be required to ensure appropriate salary decisions. Accurate processing of employees' salaries is critical to the success of the Salary Review process.

Understand Salary Reference Tables

The Salary Reference Tables (SRT) for each job classification indicate the salary range Boeing has for individuals assigned to that job and level. The SRT structure is reviewed annually for necessary adjustments. SRTs may be adjusted to reflect Boeing's business environment and/or the competitive market for employees.

SRTs are described using three points:

- **Minimum**—Value indicating the lowest rate Boeing will pay for a given job and level.
- **Market Reference**—Value for a given job and level compared to average salaries for same or similar jobs in the national market.
- **High Market**—Value for a highly paid job and level as compared to same or similar jobs in the national market.

Minimum	Market Reference	High Market
▼	▼	▼
Salary Reference Table		
< Lower $	Midpoint $$ >	Higher $$$ >

When the salary decision process begins, the revised SRTs are made available to managers through the Pay Visibility Tool (PVT). The respective SRT—including its minimum salary amount—will be reflected in the calculation of each employee's ISDR. SRTs can be found at the Salaried Job Classification, Performance and Pay web site.

An individual employee's relationship to the SRT is referred to as their market position or compa-ratio, which is the employee's annual salary divided by the SRT Market Reference (e.g., if an annual salary happens to equal the SRT Market Reference, the compa-ratio is 1.00).

✔ Why This Is Important

Not everyone working the same job will receive the same salary. Ranges in salaries within the job and level recognize the differences between peers, such as experience and education. Without an understanding of the SRT's purpose, there is a tendency to believe a salary is not "competitive" unless it is at the midpoint (Market Reference) or high end (High Market) of the SRT. By understanding SRTs and how they are applied in Salary Review, managers can more confidently make appropriate salary decisions and help their direct reports to appreciate how salary decisions have resulted in competitive pay.

Use the Individual Salary Decision Range

When making a salary decision, the manager should choose a salary amount (and/or lump sum amount) that falls within the employee's unique Individual Salary Decision Range. A decision outside the range can be made only with appropriate executive approval.

The Individual Salary Decision Range (ISDR) represents the range of salary and/or the range of lump sum a manager should consider when making the Salary Review decision. The ISDR is a subset of the broader SRT for each job.

$ Minimum ⟵——————— **Salary Reference Table** ———————⟶ High Market $$$

The ISDR calculation is based on groupings larger than an individual manager's direct reports. The calculation includes the IPAs, salary market positions, and funds available for the entire group. An employee is generally grouped with other employees in the same operating group, Affirmative Action Plan (or AAP, which is generally a location), SJC occupation, and job family to determine his or her ISDR and associated budget.

The ISDR and budget for a given employee is then communicated to the manager within the Pay Visibility Tool and is displayed as ISDR Low, ISDR Mid, and ISDR High. For some employees there also may be an ISDR Lump (see "Understand Lump Sum Versus Salary Adjustment" on next page).

While the intention is for managers to choose a salary within the range for each employee, a manager can—with executive approval—select a salary above the ISDR High or below the ISDR Low, while remaining within his or her own specific budget. However, if the employee's ISDR Low also is the SRT Minimum, then the manager's salary decision cannot be lower than the ISDR Low.

If the employee's current salary is significantly lower than the SRT minimum, the ISDR may appear to be unusually narrow because of the gap between the employee's current salary and the ISDR.

For employees with a contractual obligation, the minimum salary increase amount is reflected in the ISDR Low. The manager's salary decision cannot be lower than the ISDR Low.

✔ Why This Is Important

Using the ISDR to guide a salary decision helps the manager ensure the salary decision is consistent with Boeing's Salary Management objectives. More specifically, the ISDR helps guide salary decisions that are:

- **Competitive.** The ISDR is based, in part, on the job's Salary Reference Table.
- **Equitable.** The ISDR is based, in part, on the employee's current market position (also called "compa-ratio") relative to peers.

- **Value of Contribution.** The employee's IPA relative to peers is considered in calculating the ISDR and in the manager's final salary decisions for his or her direct reports.
- **Appropriate for Our Business Environment.** The ISDR reflects applicable contractual obligations—such as with unions, the Government, and other entities.

However, while the ISDR provides helpful guidance to the manager by providing a range of salaries to consider, the ISDR does not eliminate the manager's ultimate responsibility for making an appropriate salary decision.

Understand Lump Sum Versus Salary Adjustment

A manager may find it appropriate to use a lump sum based on an employee's current market position (compa-ratio) and his or her value of contribution compared to others.

A manager's goal in the Salary Review process is to make salary decisions that are in line with the Boeing objectives for Salary Review. The following illustration shows how, in general, an employee's IPA and current salary market position guide appropriate salary decisions.

Top-Left: An employee in this area has high value of contribution (high IPA) and currently has a low salary market position. **An adjustment to base salary is indicated.**

Bottom-Left: An employee in this area has low value of contribution (low IPA) and currently has a low salary market position. **A relatively small base salary adjustment—or no adjustment—is indicated.**

Top-Right: An employee in this area has a high value of contribution (high IPA) and currently has a high salary market position. **An adjustment to base salary and/or a lump sum is indicated.**

Bottom-Right: An employee in this area has low value of contribution (low IPA) and currently has a high salary market position. **A relatively small base salary adjustment or lump sum—or no adjustment—is indicated.**

The Pay Visibility Tool (PVT) may display only a lump sum or both a lump sum and an Individual Salary Decision Range for an employee. In this instance, the manager may elect to adjust the employee's salary and/or give a lump sum. A manager may find it appropriate to use a lump sum based on an employee's current market position (compa-ratio) and his or her value of contribution as compared to others to ensure appropriate salary differentiation. However, a lump sum is not appropriate when it is based on a personal request from an employee.

If lump sums are appropriate, the PVT will not allow lump sums less than $500.

Contractual obligations may prohibit the use of lump sums. Collective bargaining agreement should be reviewed.

Lump-sum payments reduce the salary adjustment budget in the same manner as salary adjustments, even though the lump sums are nonrecurring costs. Because of this, when a manager awards a lump-sum payment to an employee inappropriately, it may limit the ability to address issues for other employees, including

- Internal equity.
- Critical skills.
- Market relationships.

Meet Contractual Obligations

Managers should verify the company has observed its contractual obligations, such as with unions, the Government, and other entities. The Pay Visibility Tool includes reports to help managers with this responsibility.

Contractual obligations are considered in the calculation of an employee's Individual Salary Decision Range and are reflected in the ISDR Low. When the manager chooses a salary amount that is within the range, he or she is ensured contractual obligations will be met.

Adhere to the Budget

The manager must make Salary Review decisions that, in total sum, do not exceed the funds budgeted for the manager's group of direct reports.

A salary adjustment fund provides the means for adjusting employee salaries. This fund is established based on a number of factors ranging from prevailing pay levels in our marketplace to the impact of various aspects of the business environment.

The fund is expressed as a percentage increase over the current labor budget. It is important to note that this percentage translates to a fund from which money for salary adjustments is drawn; it does not indicate the percentage by which individual salaries are to increase.

Each manager's budget will be sufficient to comply with any contractual obligations—such as with unions, the Government, and other entities—and to ensure no Salary Review decisions result in salaries below a Salary Reference Table minimum.

Circumstances in small groups may warrant limited under spending in one group and over spending in another. Managers of small groups (generally fewer than five) should consult with their upper management to address concerns with budget.

✔ Why This Is Important

Budgeted funds for salary decisions are calculated to be sufficient for ensuring those decisions result in salaries that are competitive, equitable, based on value of contribution and consistent with our business environment. Remaining within the budgeted amount helps ensure salaries will be consistent with our Salary Management objectives.

Review Outliers for Decision Appropriateness (Puget Sound)

If any of a manager's direct reports have been flagged as "outliers" in the Pay Visibility Tool, the manager must review the individual's salary decision and document why it is appropriate.

Within the Puget Sound area, there will be approximately five percent of the population who are categorized as "outliers." These employees are those individuals who are paid high or low relative to others in the same Affirmative Action Plan (AAP) Group and Job Aggregation Group (JAG).

Each outlier is flagged within the Pay Visibility Tool. Additionally, salary data is provided for each outlier (individuals in the same AAP who have the same number of years in the same job family and level as the flagged individual).

When any of a manager's direct reports have been flagged as "outliers," the manager must review the individual's salary decision relative to the salary data provided. After entering the salary decision, the manager will use a drop-down menu to document how the employee's outlier status was considered when making the salary decision for the employee.

✔ Why This Is Important

Flagging and reviewing "outliers" provides an additional check of equitability among salaries and satisfies certain contractual obligations.

Secure Executive Approvals for Decisions Outside the Individual Salary Decision Range

Managers must secure executive approval of any salary decision that is above or below the employee's Individual Salary Decision Range.

Executive approval is confirmed by entering the executive's BEMS ID number into the Pay Visibility Tool. PVT generates e-mail documentation of the request for approval and sends it to the identified executive with copies to the manager of record and the HR Generalist of record.

Retain Salary Review Records

Managers should retain Salary Review documents and records for a minimum of three years plus the current year.

Managers should document all criteria used in Salary Review decisions. From these documents, managers should be able to explain how salaries were set for employees, including the criteria used in salary-setting decisions.

In some cases, managers may need to keep these documents and records longer than three years. For example, when it is applicable, managers must retain the documents until notification that a legal complaint and/or an agency audit or enforcement action has been concluded.

Know Appeal Process

When there is a conflict between a manager and a nonunion employee, the Alternative Dispute Resolution (ADR) process can be used to solve the problem. The goal of ADR is to resolve disputes internally, in a calm, fair, professional, and timely way. Additional information regarding the ADR process can be obtained at the following web site: *http://globaldiversity.whq.boeing.com/adr.html*

Communicating IPA and Salary Review Results

Effectively delivering and discussing IPA and Salary Review results with employees is a critical management role. How information is delivered can have a strong influence on employee motivation and attitude about the company.

A key management role is to communicate IPA and Salary Review results to employees. Managers are expected to conduct each discussion directly, honestly, and respectfully—without revealing confidential information about others. Discussions should be held between March 13 and March 21, 2006.

Communications Checklist

The following checklists provide guidelines for what managers can do before, during, and after IPA and Salary Review discussions.

Step 1. Before the discussion

1a. Schedule the meeting.

Set up an appointment with the employee. Schedule at least 15 minutes and choose an appropriate location that allows a private discussion without interruption.

1b. Print and review reference materials before the meeting.

Print Boeing's Salaried Job Classification, Performance and Pay Cycle Overview, Salary Management Objectives and Employee Salary Model, and Understanding Your Salary Notice—2006 from the Salary Management web site at *http://hr.web.boeing.com/index. aspx?com=9&id=90* and review before your scheduled discussions.

1c. Print the employee's salary notice.

Log on to the Pay Visibility Tool and print the employee's salary notice. See the *PVT Reference Guide* for instructions on how to print salary notices.

Step 2. The discussion: clarify salary model

2a. Discuss the employee salary model and its four factors.

- The salary decision is competitive based on current market values.

- The salary decision is affected by the business environment—that is, how much the company can allocate to salaries depending on productivity, profitability, contractual obligations, and regulatory compliance.

- To ensure the salary is equitable, the salary is determined in relation to classifications and salaries of the employee's peers. This does not mean the salaries will be the same; equitable salaries reflect differences, such as those indicated by the employee's value of contribution.

- The most important factor affecting salary decisions is the employee's value of contribution. This is influenced by differences in the employee's performance results and, as applicable, differences in other factors such as critical skills, job scope and complexity, and/ or versatility.

Step 3. The discussion: clarify the Integrated Performance Assessment

3a. Describe how the PE process led to the IPA.

- The manager's role was to determine an IPA to reflect the employee's value of contribution. To do this, the manager reviewed the employee's PE overall Business Goals and Objectives rating and overall Performance Values rating, and compared the employee's BG&Os and performance relative to other employees in the same job family and job level.

- The decision was based on input by immediate management, including other appropriate sources with guidance from higher levels of management.

3b. Discuss how the assigned IPA reflects the value of contribution the employee has made to the organization.

3c. Clarify how the IPA was used in Salary Review.

- The company used an Individual Salary Decision Range (ISDR), which provided each manager with a range of salaries based on the employee's IPA relative to peers, current salary compared to market data, and the funds available for Salary Review.

- The manager used the ISDR and other factors to make a salary decision. Salary decisions for employees were required to remain within the budgeted fund amount for the group.

3d. Ask the employee if he or she understands the IPA.

Step 4. The discussion: provide salary notice

4a. Present the salary notice.

Show the employee where to find the overall Business Goals and Objectives and Performance Value assessments, IPA, and salary decision results.

4b. Summarize how the employee's performance and value of contribution influenced the salary decision.

Step 5. The discussion: identify next steps

Discuss next steps, if any. If requested by the employee (or otherwise appropriate), schedule another meeting to share additional information, address unresolved issues, and/or discuss specific areas for improvement or opportunities for development.

Step 6. After the discussion

Document and research any of the employee's questions or issues and schedule a follow-up meeting, if necessary.

Dos and Don'ts for Discussing Integrated Performance Assessments and Salary Review Decisions

How IPA and Salary Review decisions are discussed is critical.

Here are a few things to do during the discussion:

Do… Clarify the employee salary model and how its four factors guide Salary Review.

Do… Clarify the PE process and how it leads to IPAs—which reflects the employee's value of contribution.

Do… Use descriptive words to discuss performance and contribution along with areas of strength and areas for growth. Stick to job-related comments.

Do… Acknowledge the employee's perspective and reaction to his or her IPA.

Do… Take ownership of the IPA decision.

Do… Clarify the Salary Review process and how the IPA contributes to the salary decision.

Do… Present the Salary Review notice and clarify the Salary Review decision.

Do… Focus on resulting salary amount instead of percentage increase or dollar increase.

Do… Acknowledge the employee's perspective and reaction to the Salary Review decision.

And a few things to avoid:

Do *not*… Over-emphasize the impact IPA had on the salary decision. Remember that it was one factor among others, including IPA relative to peers, the position of the employee's current salary in the competitive pay market, and the salary funds available.

Do *not*… Make any references to race, gender, age, religion, national origin, disability, military service, and so on.

Do *not*… Refer to any of the employee's personal, medical, or family issues.

Do *not*… Make negative remarks about the company, the fund amount, the PE process or the Salary Review process.

Do *not*… Make unsubstantiated claims, promises, or comments. For example:

- Statements that employee's contributions far exceed requirements of current level or classification.
- Comments about the employee's IPA compared to that of another employee.
- Implications or promises for Salary Review, a promotion, work assignment, or developmental opportunities.

Do *not*… Provide the employee's Individual Salary Decision Range because the range is not based on the individual's salary and IPA alone, rather, on the peer group.

Do *not*… Dwell on the specific dollar amount or percentage of the salary adjustment.

Handling Employee Reactions

Employees will have different emotional reactions to their IPA and Salary Review decision. It is important to **be prepared**. Managers may be challenged to find a balance of listening and validating feelings without trying to change those feelings or over-explain the situation.

Managers also should be aware of nonverbal actions. Tone, eye contact, and pace of speech may give the wrong impression.

Reaction	How to Respond
The employee is happy	■ Share in his/her delight and don't cut the time short. ■ Don't compare his/her performance/IPA/Salary Review decision to others. ■ Reinforce positive behaviors and focus on ways the employee can continue to improve his/her value of contribution. ■ Remind him/her to keep this information confidential and to be sensitive to others in the group who may not be as satisfied.
The employee is tearful or disappointed	■ Be supportive by listening and validating the employee's feelings. ■ Be careful not to talk too fast. ■ Remind the employee there are steps that can be taken to improve next year's Integrated Performance Assessment (value of contribution). ■ Emphasize the performance evaluation and development processes as mechanisms for goal-setting and improvement plans. ■ If the employee isn't able to engage in a discussion at the time, invite him/her to come back for another discussion when the time is right.
The employee is angry	■ If appropriately expressed, accept the employee's anger. ■ Be careful not to become angry yourself or talk too fast. ■ Do not blame Human Resources, the company or the system; this only serves to intensify feelings of powerlessness. ■ If you find yourself over-explaining the situation, stop! ■ If the anger escalates, end the meeting and invite the employee to return in a few days. ■ Listen, validate the employee's feelings and inform the employee on how the decision was made.

Reaction	How to Respond
The employee is demanding action	■ Be honest and clear that this year's Integrated Performance Assessment and/or salary decision are final. ■ Do not allow yourself to be intimidated by the employee's demands. ■ Do not make promises you cannot keep. ■ If you find yourself or the employee saying the same thing repeatedly, end the meeting. ■ If the employee asks to talk with someone else, refer the employee to his or her Human Resources Generalist.