



ERCOT 2008-2009 Merit Guide

The budget for merit increase dollars for 2008-2009 is 3.0% with an additional 1% for promotions and adjustments. These increases are consistent with market trends for merit budgets. The budget amount is equal to the budget as approved for Calendar Year 2009. Each officer must stay within the pool allocated to his area for the year. The officer may allocate money between their departments.

Key dates in the merit increase cycle are:

Dates	Activity
March 2nd	Success Factors Compensation/Merit Training for the Officers
March 3-5	Success Factors/Merit Training for the Directors and Managers
March 6th	Managers and Directors begin Merit process after training
March 25th	All merit sheets due to officer
March 27th	All merit sheets due to Compensation Administrator. Success Factors will be closed at COB.
March 30-31	HR review of merit worksheets
March 16th	Increase effective date.
March 30-31	CEO approval of merit recommendations
April 3-7	Data verified and uploaded into Lawson.
April 9-14	Individual merit confirmation sheets are provided to Managers for individual employee discussions. Managers should not communicate any adjustments prior to receiving the confirmation form.
April 15th	Increase on paychecks.

Merit Increase Guidelines

The merit increase matrix is a guideline provided with the goal of consistency throughout the organization.

2008 Performance Rating:	0-25th percent of range	25th-50th percent of range	50th – 75th percent of range	Above 75th percent of range
0.00 – 2.49	0 Increase	0 Increase	0 Increase	0 Increase
2.50 – 2.99	1-2%	1%	0 Increase	0 Increase
3.00 – 4.49	3 – 6%	2 – 5%	1 – 4%	1 – 3%
4.50 – 5.00	3 – 7%	3 – 6%	3 – 5%	2 – 3%

- The range of percentages is intended to provide management flexibility in differentiating between varying levels of performance and range penetration.
- Only employees hired before January 1, 2009 are eligible for merit increases. Employees hired after January 1, 2009, will be eligible for merit review in 2010.



- Employees receiving any increases between January 1 and March 31, 2009 for promotions and transfers are not eligible for merit increases at this time.
- Employees hired after April 1, 2008 and current employees who received pay increases for promotions or job changes between April 1, 2008 and December 31, 2008 will be prorated.
- Employees who have not received an increase in the last 12 months and have received favorable reviews will also be prorated and eligible to receive increases prorated for up to 18 months.
- For employees receiving a performance rating of less than 2.5 due to performance issues, it is not appropriate for them to receive an increase during this merit cycle. Any employee who is currently under a Corrective Action, regardless of rating, should not be considered for an increase at this time.
- Employees who currently reside below the minimum of the pay grade should be brought to the minimum whenever possible unless performance related issues have been documented in the Performance Review or on a Corrective Action Form.
- Increases for in-line promotions typically range between 2-7 % (or 5-10% including merit). The employee could receive a larger increase due to moving to the minimum of the new grade. The increase could be reduced if the promotion places the individual above 75% of the range. In-line promotions approved since January 1, 2009 will be deducted from the officer's allocated merit pool.
- Increases above 7% must include an explanation in the notes section of the merit worksheet and be approved by the Area Officer. Increases above 10% must be approved by the Chief Administrative Officer and Organizational Development and CEO.
- Employees should not receive increases which place them above the maximum of the pay grade. If an employee is red-lined (currently above the maximum of the range), the employee will not be eligible for any adjustment to base salary. A lump-sum payment may be approved by the Area Officer, Chief Administrative Officer and CEO and will be included on the merit worksheet affecting merit pool dollars. **Reasons, explanations and recommendations should be noted in the notes section of the merit spreadsheet.**
- If an employee is promoted please check with HR on the new pay range to make sure the employee is brought to at least the minimum of the new pay grade.

Managers and Directors

Make recommendations for department employees to Vice Presidents in regards to merit increases and promotions. Discuss approved merit increases and promotions with employees, once they have received the final confirmation forms and before the increases are visible in Lawson employee self service screen (by April 15th).



Vice President Review

Each Vice President should review and balance the recommendations of Directors/Managers so that the resulting accumulation of increases, including merit and promotions, is within the budget. **The Vice President should finalize the recommended increases for all Managers and Directors in his/her area.** The VP should make sure all previously approved upgrades are included in the merit dollars. Increases outside the parameters of the merit increase matrix and reasons for promotions should be noted on the spreadsheet. **The Director of Compensation & Benefits will enter the officers merit adjustments after they are approved by the Board in March.**

Human Resources Review

Human Resources will prepare a company-wide analysis to ensure ERCOT has consistently applied the merit increase methodology and has remained within the overall merit budget. If any recommended increase appears outside of reasonable parameters, Human Resources will bring this to the attention of the Area Vice President.

CEO Review

The CAO and the CEO will review and approve any increases outside the guidelines and all lump sum payments.

Board of Directors

The Board of Directors will approve any officer adjustments.