

**IMMEDIATE
ATTENTION**

EBAM/12/7

July 12, 2012

To: Members of the Executive Board

From: The Secretary

Subject: **Annual Salary Adjustments for OED Assistants—Proposed New Framework**

Attached for the consideration of Executive Directors is a proposal from the CAM for a new framework for implementing annual salary adjustments for Administrative Assistants to Executive Directors. The CAM recommends approval of the draft decision set out in the paper.

It is not proposed to bring this matter to the agenda of the Executive Board for discussion unless an Executive Director so requests by **noon on Monday, July 16, 2012**. In the absence of such a request, the proposed decision that appears on page 6 will be deemed approved by the Executive Board and it will be so recorded in the minutes of the next meeting thereafter.

Questions may be referred to Mr. Meyers (ext. 35912) and Ms. Michaels (ext.35451) in SEC.

This paper will shortly be posted on the extranet, a secure website for the Executive Directors and member country authorities.

Att: (1)

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Members of the Executive Board

**ANNUAL SALARY ADJUSTMENTS FOR OED ASSISTANTS:
PROPOSED NEW FRAMEWORK**

July 12, 2012

I. INTRODUCTION

1. The salaries of OED Assistants are adjusted annually, in order to broadly maintain their alignment with comparable positions on Fund staff. To parallel the staff compensation reforms approved by the Board in July 2011, which established a clear budgetary cap on the overall costs of annual salary increases and separated structural increases, the Board approved, on an interim basis for a one-year period, a similar mechanism for the implementation of annual salary adjustments for OED Assistants.^{1,2} This paper proposes a revised framework for setting annual salary adjustments for OED Assistants that, while maintaining parallelism with Staff Assistants, advances the calendar for the associated required calculations and allows for implementation that is closer to the timeline for staff.
2. The revised framework for annual salary adjustments for OED Assistants includes the following elements:
 - **Annual structural salary adjustments, in line with approved annual changes in the Fund's A1 – A9 payline, effective on May 1 of each year.** The purpose of these adjustments is to permit OED Assistants' salaries to move in line with approved changes in the Fund's structural paylines, reflecting developments in relevant comparator markets; and
 - **Annual merit-based salary increases, to be effective on July 1 of each year.** These adjustments are intended to provide incentives and mechanisms for recognition of good performance;
 - **A revised methodology for determining the total amount of resources to be made available within the OED budget envelope for annual salary adjustments for OED Assistants, and for allocating these resources between OEDs for distribution**

¹ See EBAM/11/15, 7/11/11.

² Before 2011, these processes were administered jointly, and no budget cap was defined. The implementation of these reforms for staff required revision of the separate rules governing merit increases for OED Assistants, which did not provide for structural salary increases and required clarification of the basis on which merit budgets would be allocated to Executive Directors (see EB/CAM/11/11, 7/5/11).

to individual Assistants. Consistent with past practice, it is proposed that individual merit awards to OED Assistants would be at Directors' discretion.

II. PRINCIPLES AND METHODOLOGY

3. In line with past practice, the framework for annual salary adjustments for OED Assistants is guided by the following principles: (i) broad parallelism of treatment with comparable positions on Fund staff; (ii) appropriate incentives for, and means to recognize, good performance by OED Assistants; and (iii) transparency, timeliness, and equality of treatment among OEDs.

4. The methodology for implementing structural salary adjustments for OED Assistants adopted in FY2012 is consistent with these principles, and no change is proposed. Thus, resources for OED Assistant structural salary adjustments would continue to be equivalent to the average annual structural increase approved for Fund salaries, as applied to the salaries of OED Assistants as at April 30 each year. Individual allocations to Assistants would reflect each Assistant's position in his/her respective grade salary band, on the same basis as comparable Fund staff.³

5. Given the context established by the 2011 compensation reforms, some minor adjustments to the interim approach to salary adjustments for OED Assistants that was established in FY 12 are appropriate. These adjustments address the method for calculating the OED merit budget envelope, and for allocating the established resource envelope between individual offices.

A. Calculation of OED merit budget envelope

6. To maintain parallelism with the treatment of merit increases for Fund staff, the proposed framework for OED Assistant salary increases continues to provide for calculation of a global OED merit budget envelope, within which all OED Assistant merit increases would be accommodated. The OED merit envelope ensures that the personnel cost increases associated with salary increases for OED Assistants are clearly defined, and appropriately set within the OED budget.⁴

³ Directors would be requested to approve future structural salary adjustments for each Assistant, before those adjustments would be processed in payroll. SEC would coordinate with HRD to ensure that the implementation of future structural salary adjustments for OED Assistants is processed on the same timetable as Fund staff.

⁴ Individual salary increases for Assistants do not immediately impact Directors' office budgets, but are reflected in the calculation of OED REG3 personnel standard costs for the following financial year. Prior to FY2012, REG3 standard costs grew relatively more rapidly than those of other OED personnel, and comparable Fund staff; last year, however, with the introduction of the pre-defined OED merit budget envelope, the acceleration in OED REG3 personnel costs has slowed significantly.

7. To improve the transparency and timeliness of the OED Assistant merit round, the proposed framework sets the OED Assistant merit budget envelope on the basis of the merit budget calculated for Fund staff for each financial year.⁵ As the size of the staff merit budget is known by early June; this revised approach would therefore permit the OED merit budget envelope and allocations to individual Offices to be calculated in sufficient time for the OED merit round on the same timetable as Fund staff, avoiding lags which have arisen in the past with implementation of these processes for OED Assistants.⁶

B. Allocation of merit budgets to individual Offices of Executive Director

8. In place of the procedure employed in FY2012, the proposed framework provides for merit allocations to the individual Offices in line with their proportional shares of the total OED Assistant salary bill.⁷ This approach generates merit budgets for offices that are more aligned with the seniority of the assistants employed in each office. Executive Directors would, as in the past, continue to allocate individual merit salary increases to their Assistants on a discretionary basis. In doing so, however, Directors could take into account the framework for staff merit increases, which restricts outstanding or superior ratings to no more than 30 percent of all Fund staff; the expectation is that most Fund staff will be rated effective.⁸

⁵ The budget for staff merit pay is based on the erosion of average salaries over the previous financial year against the budget for salaries approved by the Board at the start of that year, and is subject to an absolute cap equivalent to 1.9 percent of salaries, but may be less in any given year. In FY2013 the approved merit budget is 1.8 percent of total salaries. The distribution of merit increases to individual staff is entirely based on performance, as determined through an annual performance review.

⁶ The formula for calculating the OED merit budget envelope in FY2012 entailed identifying the relationship between average actual OED Assistant salaries and average actual staff (A1- B3) salaries on June 30, and calculating the average dollar amount required to maintain this relationship after staff merit increases on July 1. While this approach permits a precise relationship to be maintained between average staff and OED salaries, the information on which the calculation is based is confidential and not disclosed. This approach also requires delaying the OED Assistant merit round until after the staff merit round has been fully completed.

⁷ In FY2012, the merit allocations allocated to individual Directors were based on average dollar increases (\$1,260) required to maintain the alignment with average actual staff salaries, multiplied by the number of eligible Assistants employed in each Office. Relative to an allocation based on applying a percentage increase to the actual salaries of OED Assistants, this approach was somewhat disadvantageous to offices employing relatively senior/highly remunerated Assistants.

⁸ In FY2013, management has approved a merit increase of 2.76 percent to staff whose performance last year was assessed as Outstanding; 2.42 percent for staff whose performance was Superior; and 1.38 percent for staff whose performance was Effective. Staff whose performance was assessed as unsatisfactory are not eligible for a salary increase.

III. IMPLEMENTATION OF THE NEW FRAMEWORK FOR OED ASSISTANT SALARY INCREASES

9. It is proposed that the new framework for annual salary adjustments for OED Assistants, which will be employed in FY2013 and succeeding years, be implemented as follows:

Structural Adjustments:

- Consistent with the principle of parallel treatment of OED Assistants and comparable Fund staff, it is proposed that there should be no structural change in the salaries of OED Assistants effective May 1, 2013.⁹
- In future years, resources for OED Assistant structural salary adjustments would continue to be equivalent to the average annual structural increase approved for Fund salaries, as applied to the salaries of OED Assistants as at April 30 each year. Individual allocations to Assistants would reflect each Assistant's position in his/her respective grade salary band, on the same basis as comparable Fund staff.¹⁰
- The "merit increase protection provisions" approved in the context of the 2009 OED Assistant regarding exercise (see EBAM/09/40) are deemed also to cover OED structural salary adjustments; accordingly OED Assistants whose salary is currently above the grade salary ceiling due to these grandfathering arrangements shall be eligible to receive a salary adjustment increase equivalent to the structural increase for the third salary segment of the relevant grade salary range.

Merit Increases:

- OED Assistants will be eligible to receive an annual, performance-based merit adjustment to their salary, effective July 1 of each year.
- A total annual OED merit budget envelope will be calculated on the basis of the merit budget calculated for Fund staff for each financial year, applied to the total salaries of OED Assistants as at June 30 each year. All merit increases for OED Assistants will be accommodated within the approved OED merit budget envelope.
- In FY2013, the OED global merit budget envelope would be set at 1.8 percent of the total OED Assistant salary bill as at June 30, 2012, as proposed in paragraph 7 above. On this basis, the OED merit envelope for FY2013 would be \$68,730.

⁹ The Executive Board approved no increase in the Fund's structural pay lines for FY2013 (EBAP/12/23).

¹⁰ As agreed in FY2012, an Executive Director may determine whether, on the basis of performance, any Assistant employed in his/her office should not receive a structural adjustment.

- Executive Directors would be allocated individual merit budgets, within the global OED Assistant merit budget envelope, in proportion to their office's share of the total OED Assistant salary bill.
- Executive Directors may award performance-related merit increases to individual Assistants at their discretion, subject to remaining within the office budgets. Such salary awards will be effective July 1 each year.

IV. TRANSITIONAL MERIT INCREASE PROTECTION ARRANGEMENTS FOR FY2013 AND FY2014

10. As noted in the staff paper on the *2012 Staff Compensation Review* (EBAP/12/23, 3/9/12), the freezing of the structural pay line in FY2013 potentially restricts scope for recognition of performance through merit increases for personnel who are currently positioned at or near the top of their grade salary range. Consistent with the arrangements adopted in previous instances where the pay line has been frozen or lowered, transitional merit increase protection arrangements have been approved for staff members who meet certain criteria. It is proposed that the same transitional arrangements be applied to OED Assistants:

- OED Assistants whose salaries are positioned at or above the maximum of their grade range or within 5 percent of the salary range maximum for their grade on May 1, 2012, will be eligible for transitional merit increase protection as follows:
- For FY2013 and FY2014, merit increases would be administered as if eligible OED Assistants were in the highest part of the salary ranges, and would not be capped by the range maxima.
- Thereafter, merit increases would be partially protected. If an OED Assistant's salary would rise above the salary range maximum as the result of a July 1 merit increase that is indicated by performance, the Assistant would receive a merit increase that is the larger of (a) the increase that would bring the salary up to the range maximum or (b) one-half of the increase indicated by the Assistant's performance.

11. These transitional merit increase protections set out above will be administered alongside the similar merit increase protection arrangements approved for OED Assistants as part of the 2009 re-grading exercise (see EBAM/09/40). In both cases, Executive Directors will be informed of any relevant grandfathering arrangements that apply to the Assistants employed in their offices. Unless such protection arrangements apply, the salary ceiling will continue to impose a hard cap on the salaries of OED Assistants.

V. PROPOSED DECISION

The CAM recommends the following decision for adoption by the Executive Board:

1. Effective FY2013, Administrative and Staff Assistants employed in Offices of Executive Director shall be eligible for annual salary adjustments as set forth in paragraph 9 of EBAM/12/7.

2. Transitional merit increase protection arrangements shall apply to OED Assistants whose salaries as at May 1, 2012, are positioned at or above the maximum of their grade range or within 5 percent of the salary range maximum for their grade, as set forth in paragraph 10 of EBAM/12/7.