

**TEACHER RETIREMENT SYSTEM OF TEXAS MEETING
BOARD OF TRUSTEES
AND
COMPENSATION COMMITTEE**

(Ms. Sissney, Chair; Mr. Colonna; Mr. Kelly; Ms. Palmer; & Ms. Ramirez, Committee Members)

AGENDA

**June 5, 2014 – 10:00 a.m.
TRS East Building, 5th Floor, Boardroom**

1. Consider the approval of the proposed minutes of the September 12, 2013 committee meeting – Nanette Sissney.

2. Discuss and provide direction to staff regarding TRS compensation matters, including compensation for individual positions and related duties of the Executive Director – Christine Bailey; Janet Bray; and Adam Barnett, McLagan.

NOTE: The Board of Trustees (Board) of the Teacher Retirement System of Texas will not consider or act upon any item before the Compensation Committee (Committee) at this meeting of the Committee. This meeting is not a regular meeting of the Board. However, because a quorum of the Board may attend the Committee meeting, the meeting of the Committee is also being posted as a meeting of the Board out of an abundance of caution.



Teacher Retirement System of Texas

Minutes of the Compensation Committee

September 12, 2013

The Compensation Committee of the Board of Trustees of the Teacher Retirement System of Texas (TRS) met on September 12, 2013 in the boardroom located on the fifth floor of the TRS East Building offices at 1000 Red River Street, Austin, Texas. The following committee members were present:

The following members of the committee were present:

Nanette Sissney, Chair
Joe Colonna
David Kelly
Anita Palmer

Other TRS Board members present:

Todd Barth
Chris Moss

Others present:

Brian Guthrie, TRS
Ken Welch, TRS
Carolina de Onís, TRS
Howard Goldman, TRS
Britt Harris, TRS
Amy Barrett, TRS
Jerry Albright, TRS
Jase Auby, TRS
Mary Chang, TRS
Katy Hoffman, TRS
Tina Carnes, TRS
Dan Herron, TRS
Janis Hydak, TRS

Scot Leith, TRS
Dan Junell, TRS
Lynn Lau, TRS
Thomas Albright, TRS
Noel Sherman, TRS
Dale West, TRS
Steve Huff, TRS
Dr. Keith Brown, Investment Advisor
Steve Voss, Hewitt EnnisKnupp
Brady O'Connell, Hewitt EnnisKnupp
Leroy DeHaven, Texas Retired Teachers Association
Ronnie Jung, Texas Retired Teachers Association
Tom Rogers, Austin Retired Teachers Association & Texas Retired Teachers Association

Ms. Sissney called the meeting to order at 1:40 p.m. with a quorum of committee members present.

1. Consider the approval of the proposed minutes of the September 13, 2012 committee meeting – Committee Chair.

On a motion by Mr. Kelly, seconded by Mr. Colonna, the committee unanimously approved the minutes of the September 13, 2012 committee meeting, as presented.

2. Discuss and consider recommending to the Board proposed amendments to and ratification of the Performance Incentive Pay Plan for the period beginning October 1, 2013 – Jerry Albright.

Mr. Albright stated that the State Auditor's Office (SAO) recommended that the board change

the cycle of confirming the Performance Incentive Pay Plan (plan) from biennial to annual. He stated that the proposed amended plan added a new provision to implement the recommendation. Ms. Barrett stated for Mr. Barth that the SAO did not specify the reason for their recommendation.

On a motion by Mr. Colonna, seconded by Mr. Kelly, the committee unanimously voted to recommend to the board the adoption of the proposed amended Performance Incentive Pay Plan for performance periods commencing October 1, 2013, as presented by staff.

The meeting adjourned at 1:45 p.m.

Teacher Retirement System of Texas



TRS Employee Compensation Update

Janet Bray, Human Resources Director

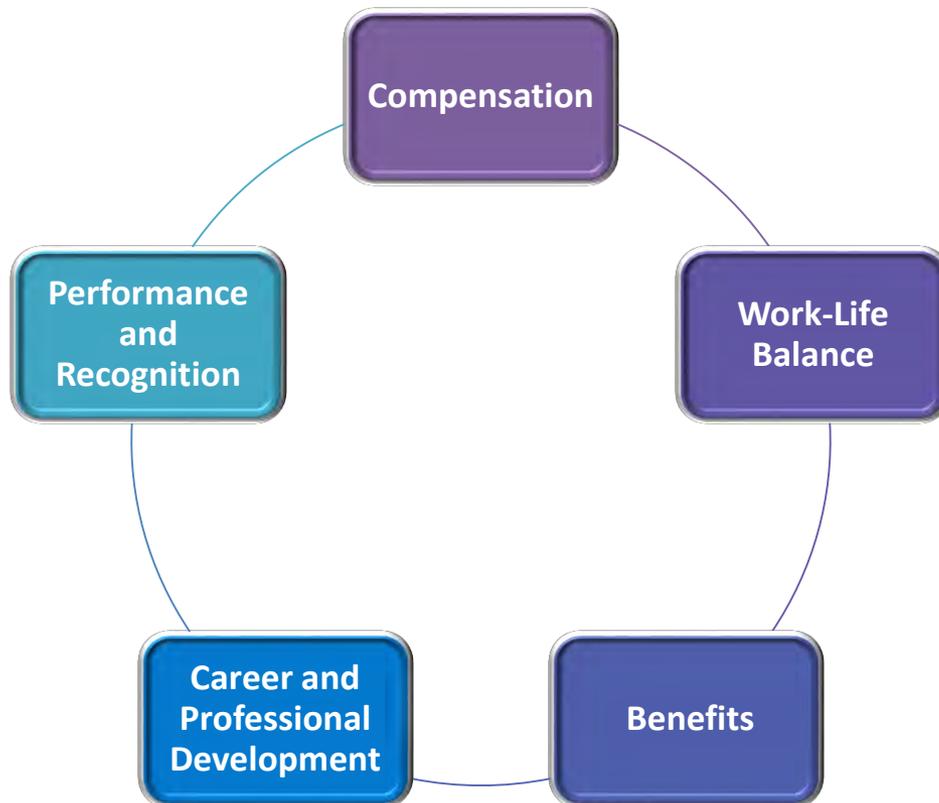
Christine Bailey, Team Lead – Compensation and Classification

June 5, 2014



Tools to Attract and Retain

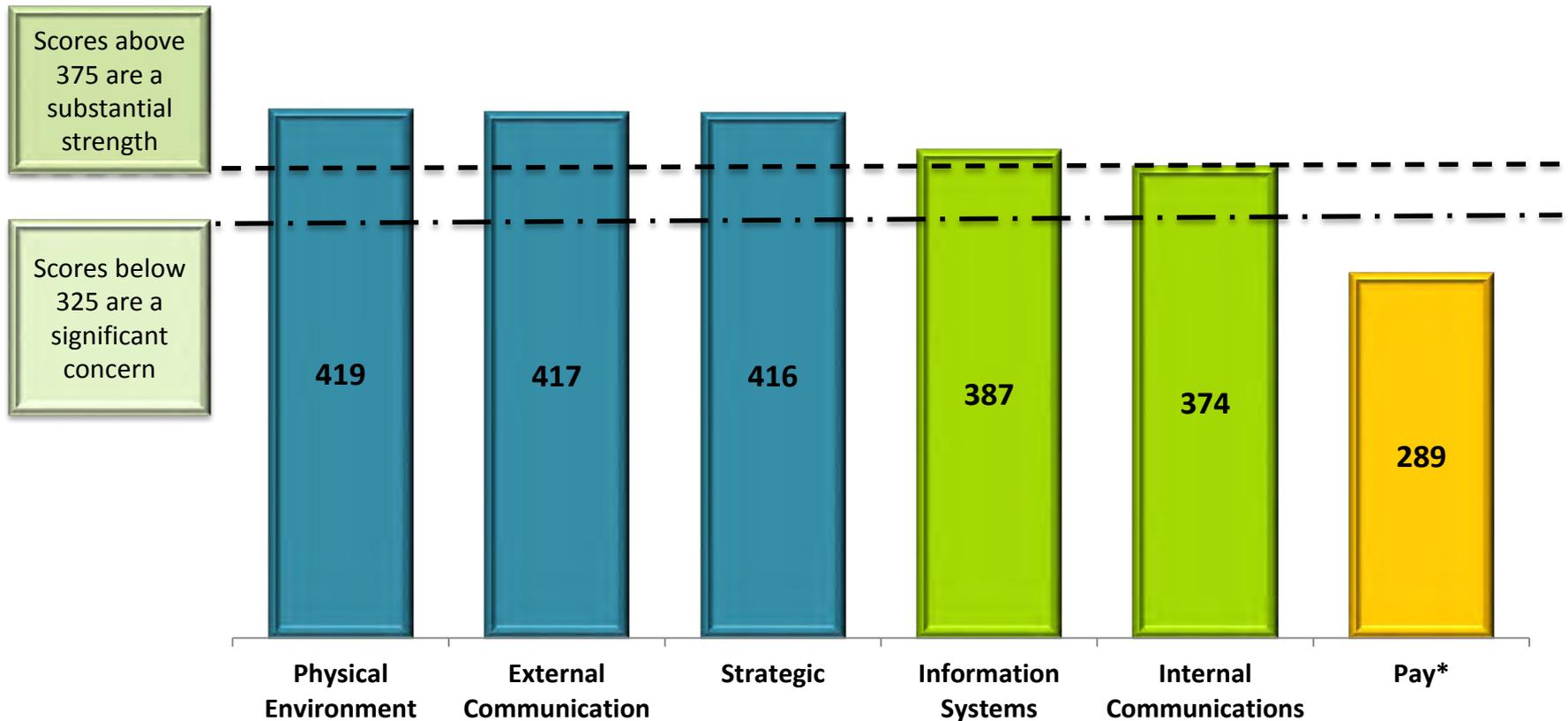
- To attract, retain and develop highly competent employees, TRS needs to leverage five elements.
- These elements are tools that add value to the workplace and keep employees engaged and productive.
- A mix of these tools can be used to address different employee needs.
- Although compensation is one of the more visible elements, all five are important to position TRS as an employer of choice.





Survey of Employee Engagement

Highest and Lowest Scoring Constructs - 2014

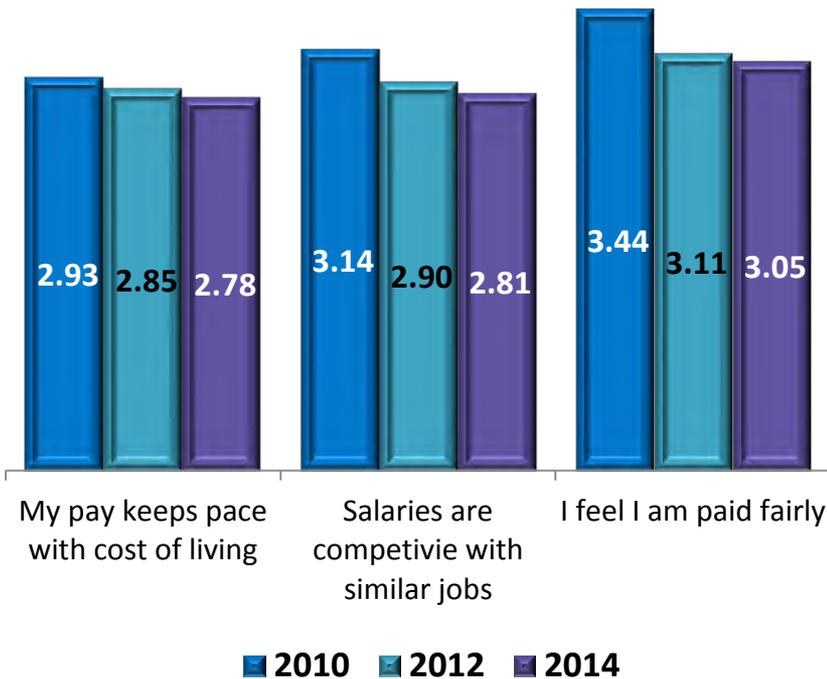


*Note: Scores for Pay have declined a total of 28 points since 2010. In 2010 the score was 317 and moved to 295 in 2012.

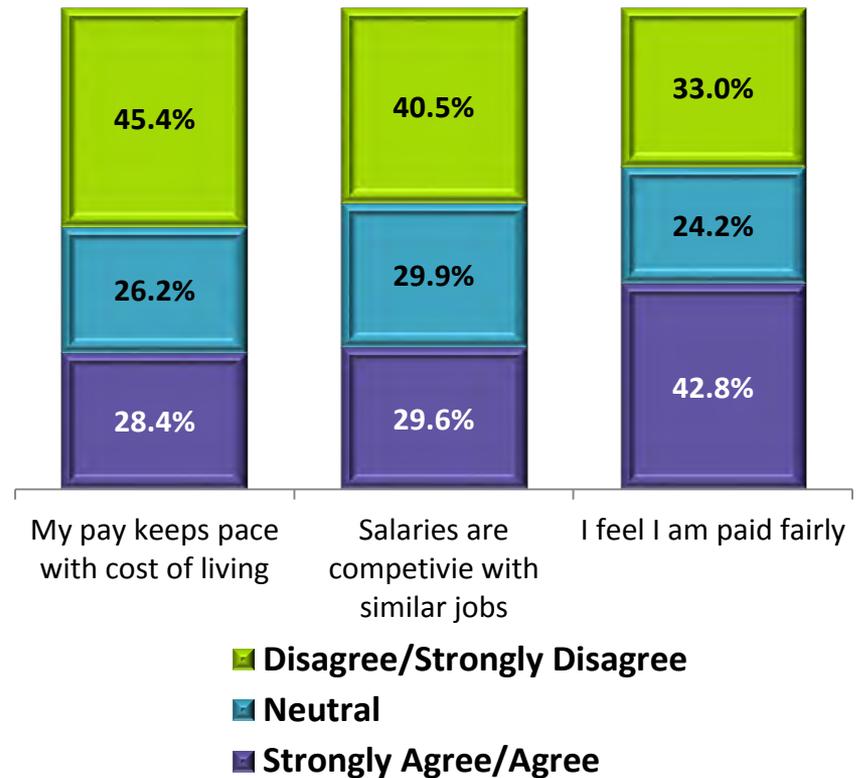


TRS Pay Satisfaction Levels

Average Scores - 2010-2014



Agreement- 2014



Source: 2014 Survey of Employee Engagement; conducted by the Institute for Organizational Excellence. Average scores range from 1 to 5, with 5 being the highest.





Compensation Review

- In FY 2014, HR began a compensation review of TRS positions.
- Information from this review will be linked to performance management programs, career development plans, and succession planning.
- A review and update of positions, compensation and job descriptions is critical to the success of other HR projects.
- Budget planning is required to cover potential implementation costs.
- Some recommendations may require legislative and/or Board approval to implement.



Overall Findings



- A comprehensive, agency-wide review of positions is long overdue.
- A formal board compensation philosophy for positions in the Finance, Executive, IT, Benefits and Health Insurance divisions would be beneficial.
- Base salaries need to be adjusted for many employees.
- Additional variable pay programs would help drive organizational and employee performance.



Benefits of an Established Compensation Philosophy

- Reduces risk, ensures compliance with laws and statutes and makes legally defensible compensation decisions.
- Provides a way to communicate the agency's philosophy on pay, and opportunities for increases and promotions to employees and applicants.
- Creates a structure to evaluate employee skills, education and experience to comparable jobs in the labor market.
- Aligns employee compensation to the organization's strategic plan and business strategies.
- Provides direction on where to target pay for employees who are successfully performing.
- Provides incentives for high performing employees or those with critical skill sets.



IMD Compensation Target

- In 2007, TRS Board of Trustees supported establishing compensation targets for TRS investment positions to ensure pay competitiveness.
- Targets were recommended by the CIO based on work completed by McLagan partners
 - Base salary targeted at top quartile of large/leading public pension funds
 - Incentive pay targeted at low quartile of private sector firms.



Red River Compensation Target

- Finance, Executive, IT, Benefits and Health Insurance Divisions currently have no formal, written philosophy.
- Targets for pay:
 - Midpoint of market; market includes a mix of public and private firms; focused on local (Texas-based) data.
 - Exceptions may be necessary for specific skills or positions (e.g. Investment Attorney)

Finance, Executive, IT, Benefits and Health Insurance Divisions:

- 3rd party published salary surveys with local (Texas) data
- Blend of public sector, non-profit and private sector positions
- Data from other state agencies and public pension plans

IMD Division:

- 3rd party custom salary survey (McLagan)
- Leading public pension funds (top 10)
- Private sector peer group including investment management firms, banks, insurance companies, corporate plan sponsors, endowments and foundations*

*2014 McLagan study focuses on total compensation for private firms.

Placement in Ranges

Base Pay Tier	Market Competitive Tier	Performance Tier
Minimum	Midpoint/Target	Maximum
<ul style="list-style-type: none"> • Represents the minimum salary range for the position. • Individuals placed here may be new to the position, have limited experience in the field, or may not be meeting current performance targets. • This area may be used if there are limited funds available to adjust salaries. 	<ul style="list-style-type: none"> • Represents the “target” salary range for positions that are in line with the market average for similar professional positions. • Individuals placed here are skilled performers, bring strong experience to the position, and are currently meeting performance targets. • Although this area represents the market average, not all employees will be paid here. 	<ul style="list-style-type: none"> • Represents pay rates above the market average for similar professional positions. • Individuals placed here have additional expertise, qualifications, licenses, or certifications above what is required for the job. • This area may be used to compensate individuals who are outstanding performers, exceed current performance targets, or are critical skill experts.



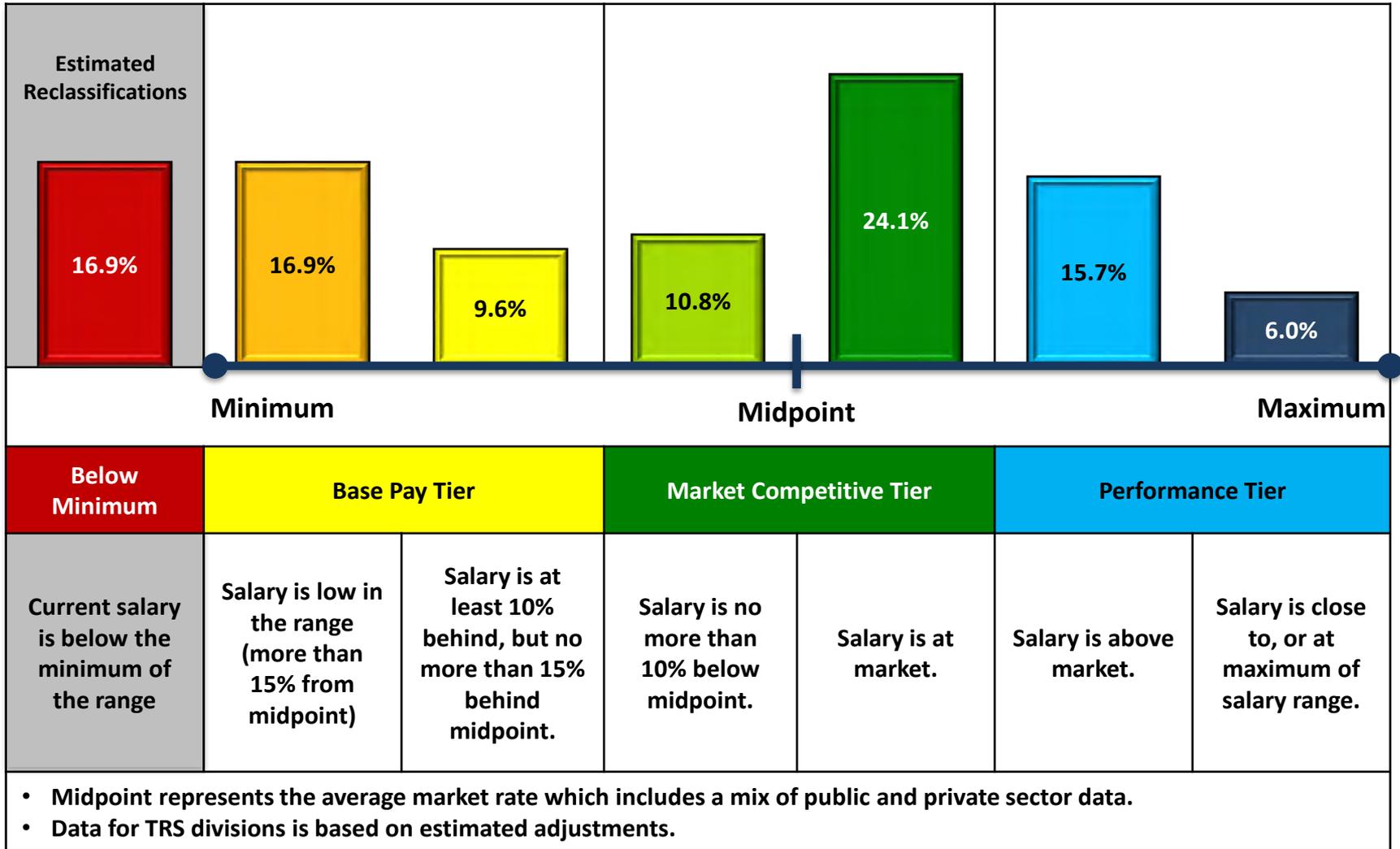


Finance Division Review

- Review covered 93 positions in the Finance Division which includes General Accounting, Benefit Accounting, Investment Accounting and Staff Services.
- Recommended changes include:
 - Changing FLSA status as needed
 - Reclassifying employees to ensure titles are consistent with current duties and ensuring employees are paid at the minimum of the salary range
 - Promoting team leads to manager positions where appropriate
 - Updating job descriptions for all positions
- Not all changes will result in a salary increase, however employees who are low in the range may need additional adjustments

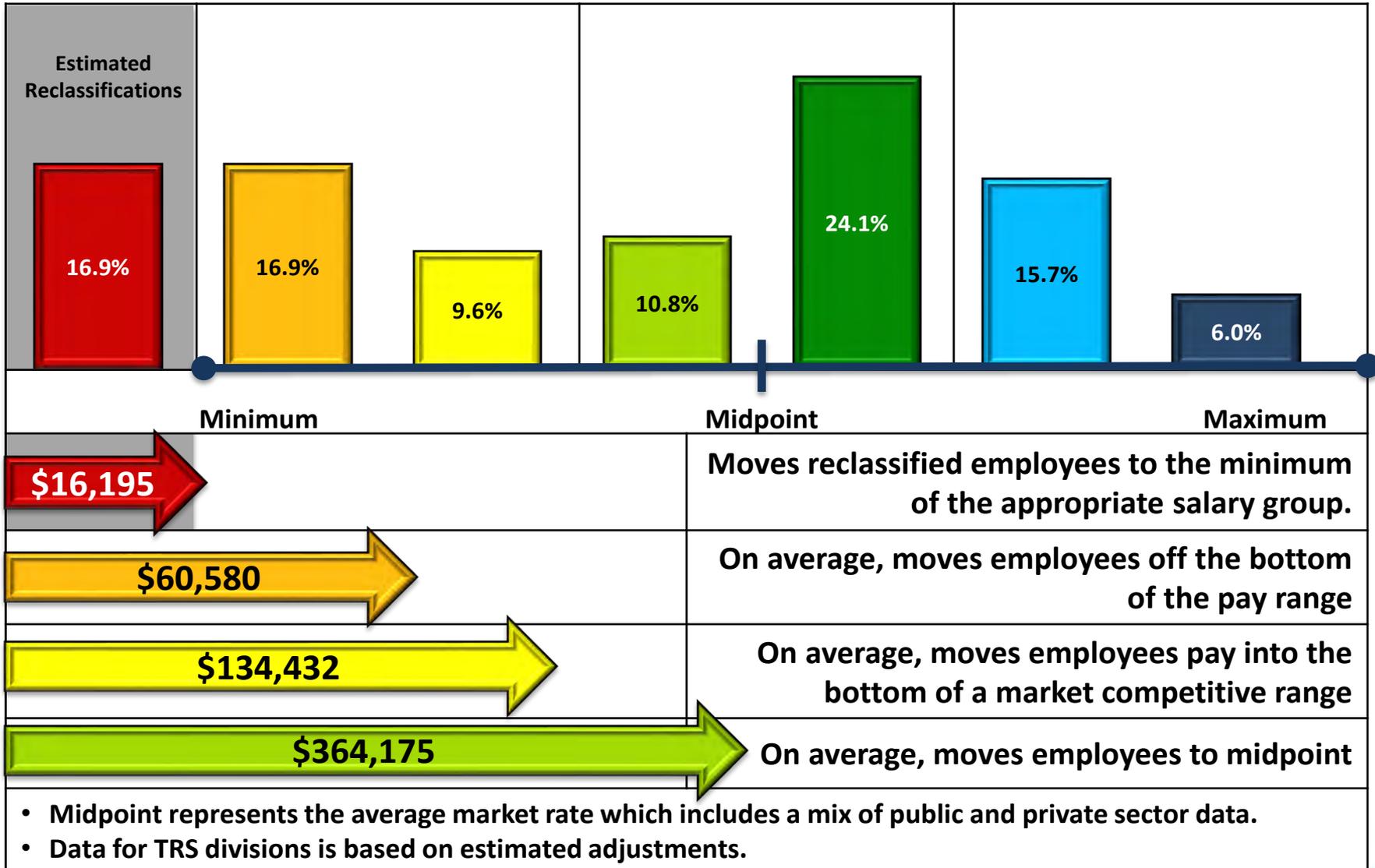


Distribution of Finance Division Salaries Relative to Target Market





Options to Address Base Salary for Finance Division Employees



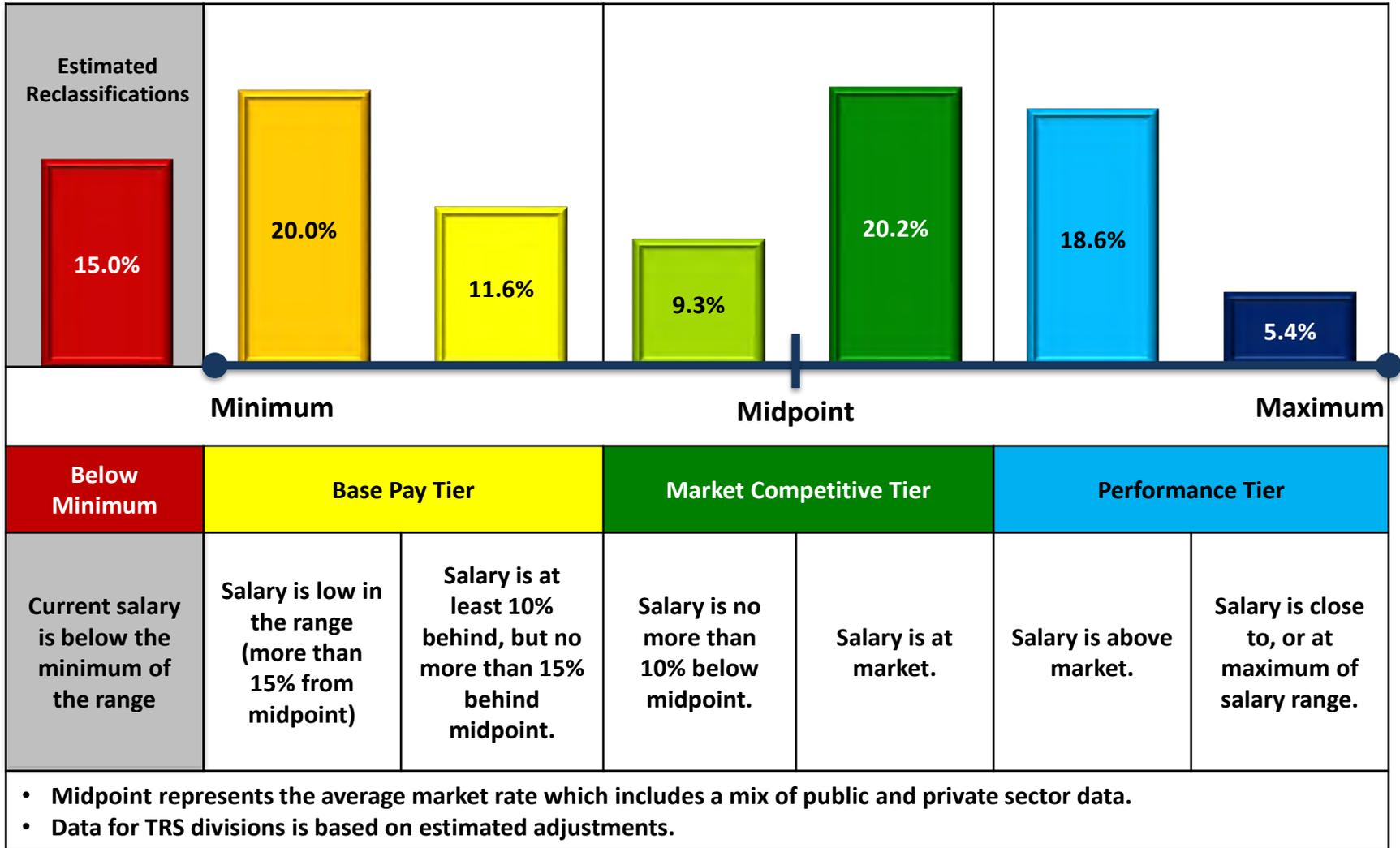


Other Divisions (Excluding IMD)

- Based upon preliminary data, issues identified in the Finance Division are present in other divisions.
 - Some divisions pay a large number of employees low in the range regardless of experience or performance.
 - Reorganizations and restructuring have shifted duties and responsibilities for many employees.
 - An increasing need for employees with specialized skills and experience has resulted in hiring new employees at rates above current staff.
 - Some roles are still evolving based upon TEAM.

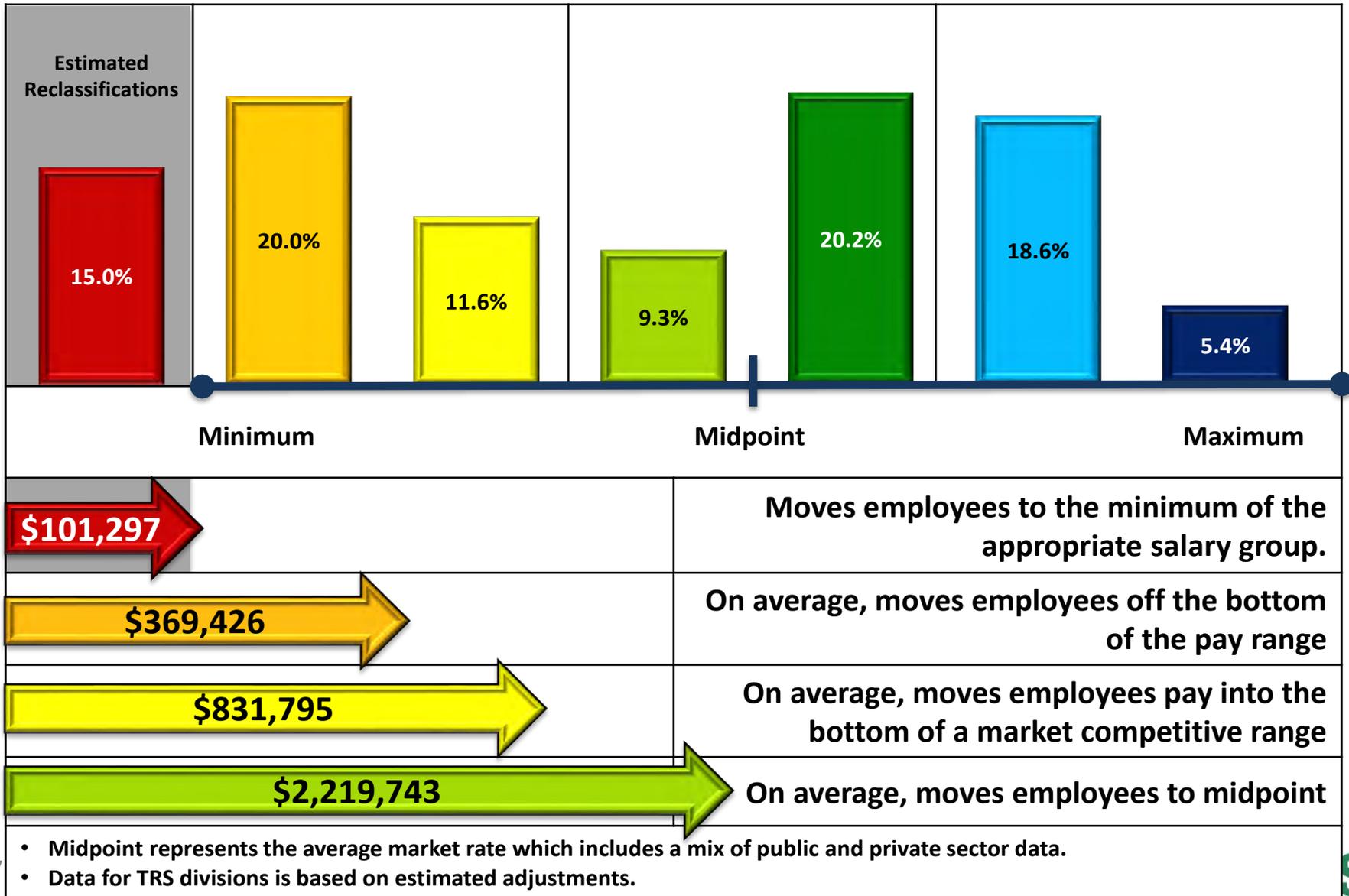


Estimated Distribution of TRS Employee Salaries Relative to Target Market (excluding IMD)





Options to Address Base Salary for TRS Employees (excluding IMD) – Estimated Costs



- Midpoint represents the average market rate which includes a mix of public and private sector data.
- Data for TRS divisions is based on estimated adjustments.



2014 Competitive Pay Update – *Investment Management Division*

Teacher Retirement System of Texas

June 5, 2014



Before We Start - Establishing a Common Understanding of Terms and Methodology...

- The following example helps to explain McLagan's conclusions about TRS' relative pay positioning.

Name	Survey Position	TRS of Texas (\$000s)	Competitive Market Variance				TRS Quartile Q1 - 4	Quartile Positioning of TRS Incumbents			
			LowQ (\$000s)	Median (\$000s)	HighQ (\$000s)	(%)		Q4 (Bottom)	Q3	Q2	Q1 (Top)
Current Base Salary											
James Richard Perry	CEO	\$150	\$97	\$121	24%	\$160					✓
George W. Bush	CFO	146	128	150	-3%	196		✓			
Ann W. Richards	CIO	138	140	168	-18%	200	✓				
William P. Clements	CLO	136	110	128	6%	140				✓	
John Connally	Dir, Risk	123	97	100	23%	115					✓
Dolph Briscoe	CAO	115	120	134	-14%	149	✓				
Preston Smith	Dir, HR	112	115	120	-7%	139	✓				
W. Lee O'Daniel	Paralegal	75	70	83	-10%	92		✓			
Miriam "Ma" Ferguson	VP, Sales	75	70	79	-5%	88			✓		
Current Base Salary Total		\$1,070	\$947	\$1,083	-1%	\$1,279	33%	33%	22%	11%	

Bush's salary falls in the market's 3rd quartile.

33% of staff are paid in the bottom quartile and 11% are paid in the top quartile.

The total salary spend for TRS is \$1,070 and the total salary spend at market median is \$1,083.

Ferguson's salary falls 5% below the competitive market median.

Aggregate salary spend falls in the market's third quartile.



I. Competitive Pay Level Analysis: Methodology

- McLagan assessed the competitiveness of TRS' Investment Management Division (IMD) pay levels versus its targeted pay positioning:
 - For **salary**: The high quartile of leading U.S. public funds.
 - For **incentive**: The low quartile of private sector firms. (TRS' target incentive equals 57%* of the incumbent's maximum bonus opportunity)
 - For **target compensation**: The blended total cash targeting salary at the high quartile of leading U.S. public funds and incentive at the low quartile of private sector firms.

Note:

* 57% equals TRS' 2009 through 2013 five-year average incentive payout.



I. Competitive Pay Level Analysis: Findings & Conclusions

- Findings:
 - TRS IMD pay falls short on its targeted base salary, incentive and total compensation targets.

	TRS IMD		Targeted Pay Positioning	Competitive Market			TRS Variance vs. Targeted Positioning (%)
	# Incs	Spend (000s)		LowQ (000s)	Median (000s)	HighQ (000s)	
Base Salary	104	\$12,773	HighQ Public Funds	\$12,515	\$14,091	\$15,850	-19%
Target Incentive	104	6,561	LowQ Private Sector	8,799	18,709	39,576	-25%
TRS Target Total Comp	104	19,334	Blended Peer Groups	24,649	34,559	55,426	-22%

- Conclusions:
 - In aggregate:
 - IMD's salaries are 19% below the public funds high quartile targeted pay positioning.
 - IMD's incentives are 25% below the private sector low quartile targeted pay positioning.
 - IMD's total compensation levels are 22% below the blended peer groups targeted pay positioning.

I. Competitive Pay Level Analysis

IMD 2014 Base Salary vs. Targeted Pay Positioning (TopQ of Public Funds)

- TRs currently targets salary at the high quartile of other leading public funds. On an overall basis, only 3% of IMD staff are paid at or above high quartile.

	TRs		Market - Public Funds Salary			Staffing Analysis PF High Quartile		TRs vs High Q (000s)
	Salary (000s)	# EEs Matched	LowQ (000s)	Median (000s)	HighQ (000s)	% Under (%)	% Over (%)	
Investment Mangement Division								
Deputy CIO	\$303	1	\$260	\$310	\$340	100%	0%	-\$37
Sr Managing Director	980	4	752	860	976	75%	25%	N/A
Managing Director	1,441	7	1,393	1,542	1,739	100%	0%	-\$298
Senior Director	743	4	669	729	798	100%	0%	-\$55
Director	1,799	11	1,674	1,929	2,122	91%	9%	-\$323
Sr Investment Mgr	2,960	22	2,800	3,243	3,650	100%	0%	-\$691
Investment Mgr	1,438	12	1,804	1,910	2,193	100%	0%	-\$755
Sr Associate	990	11	1,019	1,130	1,283	91%	9%	-\$294
Associate	818	10	863	980	1,102	100%	0%	-\$284
Sr Analyst	468	7	466	551	616	100%	0%	-\$148
Analyst	835	15	815	907	1,030	100%	0%	-\$195
IMD Total:	\$12,773	104	\$12,515	\$14,091	\$15,850	97%	3%	\$3,077



I. Competitive Pay Level Analysis

IMD Total Comp vs. Targeted Pay Positioning (LowQ T. Cash of Private Sect)

- If TRS has expected performance and pays out the five-year average incentive from 2009 through 2013, approximately one-half of IMD staff would fall short of reaching targeted pay.

	TRS		Market - Private Sector Firms			Staffing Analysis		TRS vs Low Q (000s)
	T. Comp (000s)	# EEs Matched	Total Cash			PS Low Quartile		
			LowQ (000s)	Median (000s)	HighQ (000s)	% Under (%)	% Over (%)	
Investment Management Division								
Deputy CIO	\$519	1	\$371	\$456	\$633	0%	100%	N/A
Sr Managing Director	1,678	4	2,295	3,436	5,646	50%	50%	-\$617
Managing Director	2,468	7	3,935	5,725	11,038	86%	14%	-\$1,468
Senior Director	1,208	4	1,592	2,312	4,109	50%	50%	-\$384
Director	2,927	11	3,421	4,935	8,450	45%	55%	-\$494
Sr Investment Mgr	4,478	22	5,574	7,875	11,714	41%	59%	-\$1,096
Investment Mgr	2,135	12	3,315	4,473	6,563	92%	8%	-\$1,181
Sr Associate	1,356	11	1,488	1,967	2,691	36%	64%	-\$132
Associate	1,051	10	1,234	1,672	2,329	90%	10%	-\$183
Sr Analyst	561	7	543	642	845	0%	100%	N/A
Analyst	954	15	880	1,064	1,407	7%	93%	N/A
IMD Total:	\$19,334	104	\$24,649	\$34,559	\$55,426	47%	53%	\$5,314



I. Competitive Pay Level Analysis

Adjustments Required for IMD to Reach Targeted Pay Position

- For TRS to reach the targeted pay position of IMD's compensation philosophy:
 - Aggregate salaries would need to increase by \$3.077 M.
 - Aggregate incentives would need to increase by \$2.238 M.

- If TRS wishes to be fully competitive versus the market, it would need to incorporate an additional \$3.640 M into aggregate total spend to account for long-term incentive grants awarded in the private sector.

	Base Pay (000s)	Incentive Award (000s)	Total Cash (000s)	Long-Term Incentives (000s)	Total Compensation (000s)
Targeted Market	\$15,850	\$8,799	\$24,649	\$3,640	\$28,289
IMD Actual	12,773	6,561	19,334	0	19,334
Increase Required to Reach Targeted Pay	\$3,077	\$2,238	\$5,314	\$3,640	\$8,955



II. Competitive Market Pay Trends

Leading U.S. Public Funds

- Salaries: Up ~3% (at median).
- Incentive Maximums: Up ~4% (at median).
- Total cash: Up ~4% (at median).
- Pay trends:
 - Pay not as toxic.
 - Several large funds reset their salary ranges and/or incentive maximums.
 - More questions about paying for absolute versus relative performance.

Private Sector

- Salaries: Up ~3%, except for the highest paid.
- Incentives: Up 10% to 15%, but medians mask ever-widening pay distributions between and within firms.

Canadian Pension Plans

- Salaries: Up ~3%.
- Incentives: Up ~5%, varying with investment performance.
- The world's most admired institutional investors, given their performance, governance, staffing and pay models.



Appendices



Leading Public Fund Comparator Group

	AUM 12/31/2012 <i>(\$USD bbs)</i>	% Internally Managed
California Public Employees' Retirement System	\$258	
California State Teachers' Retirement System	170	
Florida State Board of Administration	166	
Washington State Investment Board	91	
State of Wisconsin Investment Board	85	
Ohio Public Employees' Retirement System	80	
Division of Investment Services, State of Georgia	70	
State Teachers Retirement System of Ohio	67	
Oregon Public Employees Retirement System	61	
Virginia Retirement System	56	
High Quartile	\$147	53%
Median	82	42%
Low Quartile	68	34%
Teacher Retirement System of Texas	\$114	60%



Private Sector Comparator Group

- The private sector peer group includes a broad range of 317 organizations across multiple industry segments.

TRS' Private Sector Pay Comparators (All)				
	# Firms	12/31/12 AUM (bbs)		
		Low Quartile	Median	High Quartile
Investment Management Firms	148	\$13.2	\$42.2	\$198.1
Banks (Investment Management Depts)	28	22.2	97.0	434.5
Insurance Companies (Investment Management Depts)	58	19.8	61.8	175.0
Corporate Plan Sponsors, Endowments & Foundations	83	2.2	7.0	15.2
Total:	317	\$8.0	\$27.0	\$128.3



I. Competitive Pay Level Analysis

TRS' IMD: Low vs. All Groups on an Actual Spend Basis

- At expected total compensation levels, TRS pays just above the median versus other leading public funds.
- TRS is a bottom quartile payer versus private sector firms and Canadian pension funds.

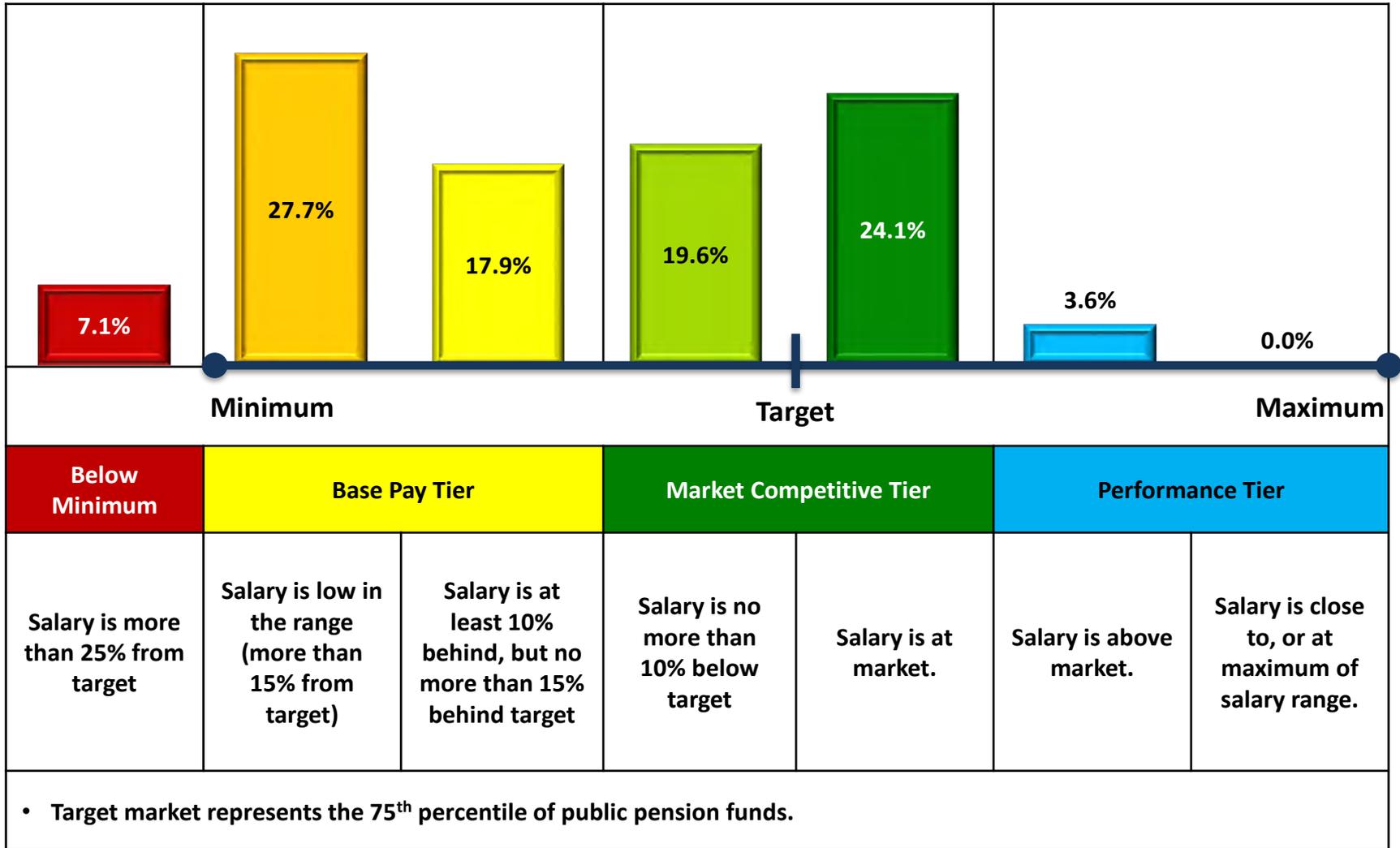
	#EEs Matched*	TRS of Texas (\$000s)	Competitive Market Variance				TRS Quartile Q1 - 4	Quantile Positioning of TRS Incumbents			
			LowQ (\$000s)	Median (\$000s)	Median (%)	HighQ (\$000s)		Q4 (Bottom)	Q3	Q2	Q1 (Top)
Current Base Salary											
vs US Leading Public Funds	104	12,773	12,514	14,091	-9%	15,850	3	50%	25%	22%	3%
vs Private Sector	113	13,564	15,183	17,975	-25%	21,844	4	73%	17%	8%	2%
vs Canadian Pension Funds	108	12,864	14,212	15,356	-16%	17,420	4	76%	15%	7%	2%
Total Compensation											
<i>TRS Actual Total Cash</i>											
vs US Leading Public Funds	102	\$14,661	\$14,144	\$17,540	-16%	\$19,999	3	48%	37%	13%	2%
vs Private Sector	111	15,560	25,574	35,735	-56%	57,151	4	85%	9%	5%	1%
vs Canadian Pension Funds	106	14,710	23,116	29,746	-51%	34,723	4	95%	5%	0%	0%
<i>TRS Actual Total Comp</i>											
vs US Leading Public Funds	102	17,012	14,204	17,683	-4%	20,284	3	32%	32%	25%	11%
vs Private Sector	111	18,022	29,265	42,477	-58%	70,842	4	83%	10%	6%	1%
vs Canadian Pension Funds	106	17,018	29,262	38,078	-55%	47,397	4	95%	2%	1%	2%
<i>TRS Expected Total Comp</i>											
vs US Leading Public Funds	104	19,334	14,340	17,833	8%	20,454	2	11%	30%	25%	35%
vs Private Sector	113	20,397	29,457	42,725	-52%	71,200	4	73%	15%	9%	3%
vs Canadian Pension Funds	108	19,303	29,482	38,353	-50%	47,726	4	93%	5%	1%	2%
<i>TRS Maximum Total Comp</i>											
vs US Leading Public Funds	104	24,284	17,179	20,938	16%	24,838	2	10%	18%	33%	39%
vs Private Sector	113	25,552	29,457	42,725	-40%	71,200	4	50%	32%	12%	7%
vs Canadian Pension Funds	108	24,160	29,482	38,353	-37%	47,726	4	72%	19%	5%	4%

All individuals and associated market data were excluded from subtotals and totals where either (1) data was not submitted for the individual and/or (2) there was not sufficient market data (e.g., 25th, 50th, and/or 75th) to provide results.



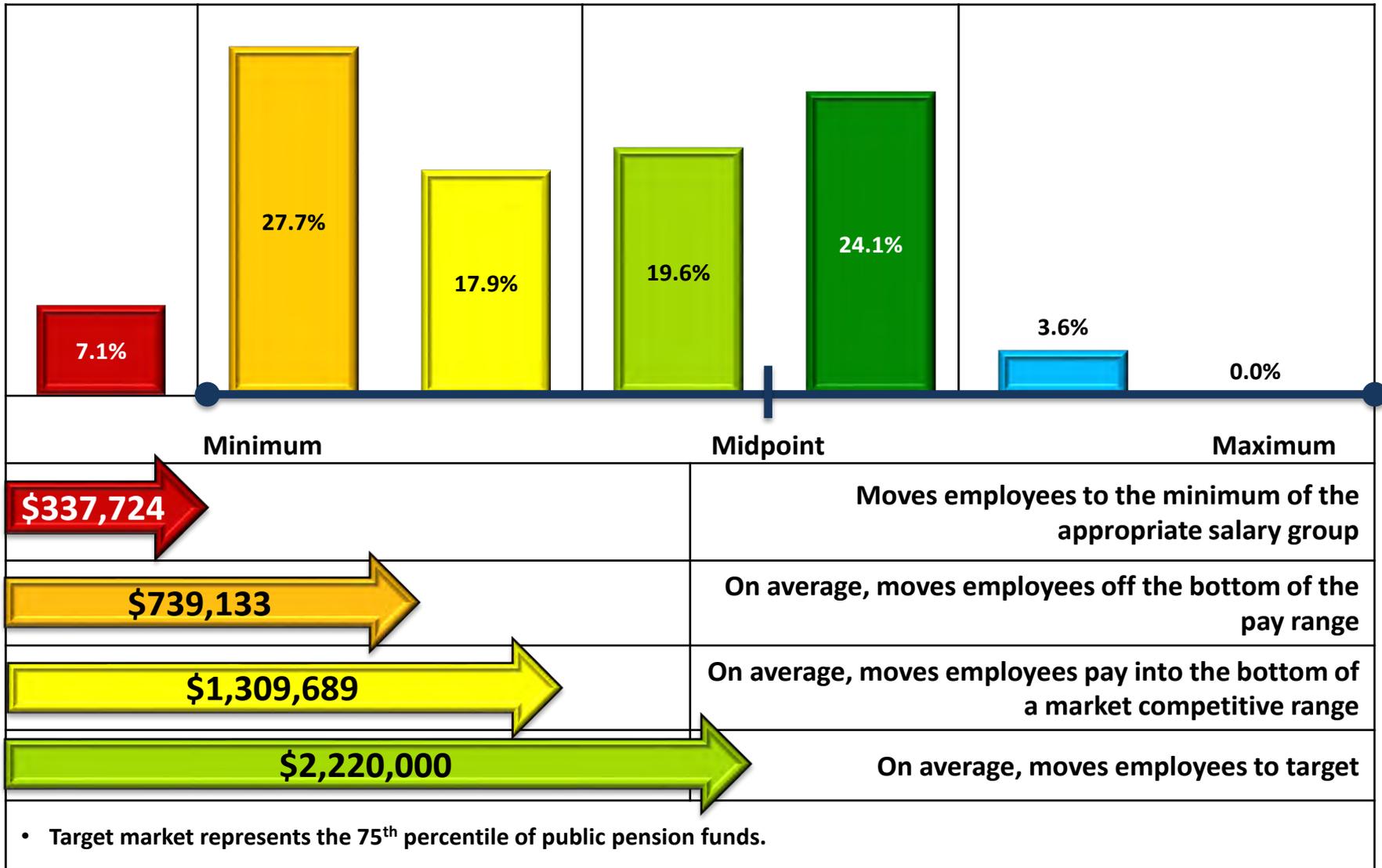


Distribution of Investment Salaries Relative to Target Market





Options to Address Base Salary for IMD Employees: Estimated Costs





Estimated Costs for Market Adjustments – Red River Divisions

Division	FY 2014 Payroll Budget	Estimated Cost: Move to Target	Percent of Payroll
Executive	\$ 7,196,468	\$ 231,499	3.2%
Finance	\$ 4,761,215	\$ 364,175	7.6%
Benefit Services	\$ 7,745,811	\$ 1,255,501	16.2%
Health Insurance	\$ 1,533,463	\$ 139,148	9.1%
IT	\$ 7,839,016	\$ 229,420	2.9%
Total	\$ 29,075,973	\$ 2,219,744	7.6%

- Budget is projected expended for FY 2014 and includes TEAM funded positions but excludes interns.
- Estimated costs includes adjustments for the 2% across the board increase effective 9/1/2014.
- Estimated cost is based on moving employees, on average, to the market rate or midpoint appropriate for the work performed.



Estimated Costs for Market Adjustments – IMD

Division	FY 2014 Payroll Budget	Estimated Cost: Move to Target	Percent of Payroll
IMD	\$ 15,556,044	\$ 2,220,000	14.3%

- Budget is projected expended for FY 2014.
- Estimated cost is based on moving employees, on average, to the market rate or target appropriate for the work performed.
- If approved, salary actions would take place prior to the 2% across the board increase effective 9/1/2014.



Next Steps

- After addressing base pay, TRS will need to review other compensation strategies to ensure we have the tools necessary to recruit, motivate and retain qualified employees.
- If base salary increases for IMD are approved, equity issues with Executive Council positions will need further review.
- Goal is to create an effective compensation structure that provides a combination of rewards including:
 - Base pay that is internally equitable and externally competitive
 - Spot awards to recognize special contributions, achievements, or completion of short-term projects.
 - Variable pay program (annual incentive plan) that can be used to drive specific results and focus on organizational or divisional goals
- Most organizations (public and private) offer a variety of compensation tools to address their organizational needs.



Common Incentives

Annual Incentive Plan (AIP)

- Rewards the accomplishments of specific results.
- Tied to expected results identified up front
- May have a discretionary component
- On average, organizations budget 10-12% of payroll for AIPs

Discretionary Bonus or Merit Plan

- Pool of money is set aside to be awarded by managers based upon individual performance
- On average, organizations budget 3% of payroll for merit increases

Sources: Incentive Pay Practices Survey, WorldatWork and Vivient Consulting; WorldatWork Salary Budget Survey; Aon Hewitt Employer Spending on Variable Pay; WorldatWork Bonus Programs and Practices

Spot Awards

- Recognize special contributions for short-term projects or tasks.
- On average, organizations average 2-3% of payroll for spot awards
- Awards are typically given in flat rate, lump sum payments that range from \$200 to \$5,000

Recruitment/Retention Bonus

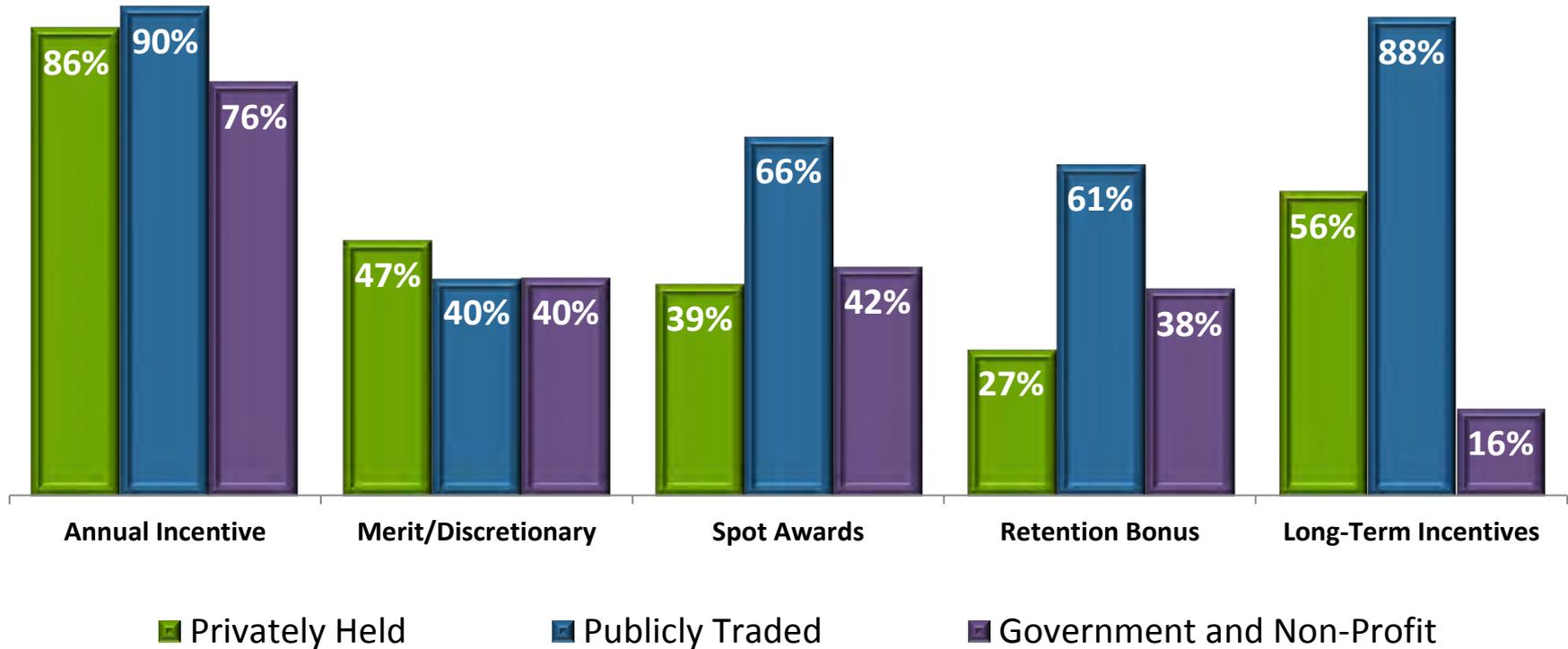
- Payment offered to keep a key employee in the position.
- May be used for relocation expenses.
- Average bonuses range from \$5,000 to 10,000 for professional positions.

Long-Term Incentives

- Includes long-term cash plans in which payment is contingent on performance over a multi-year period.



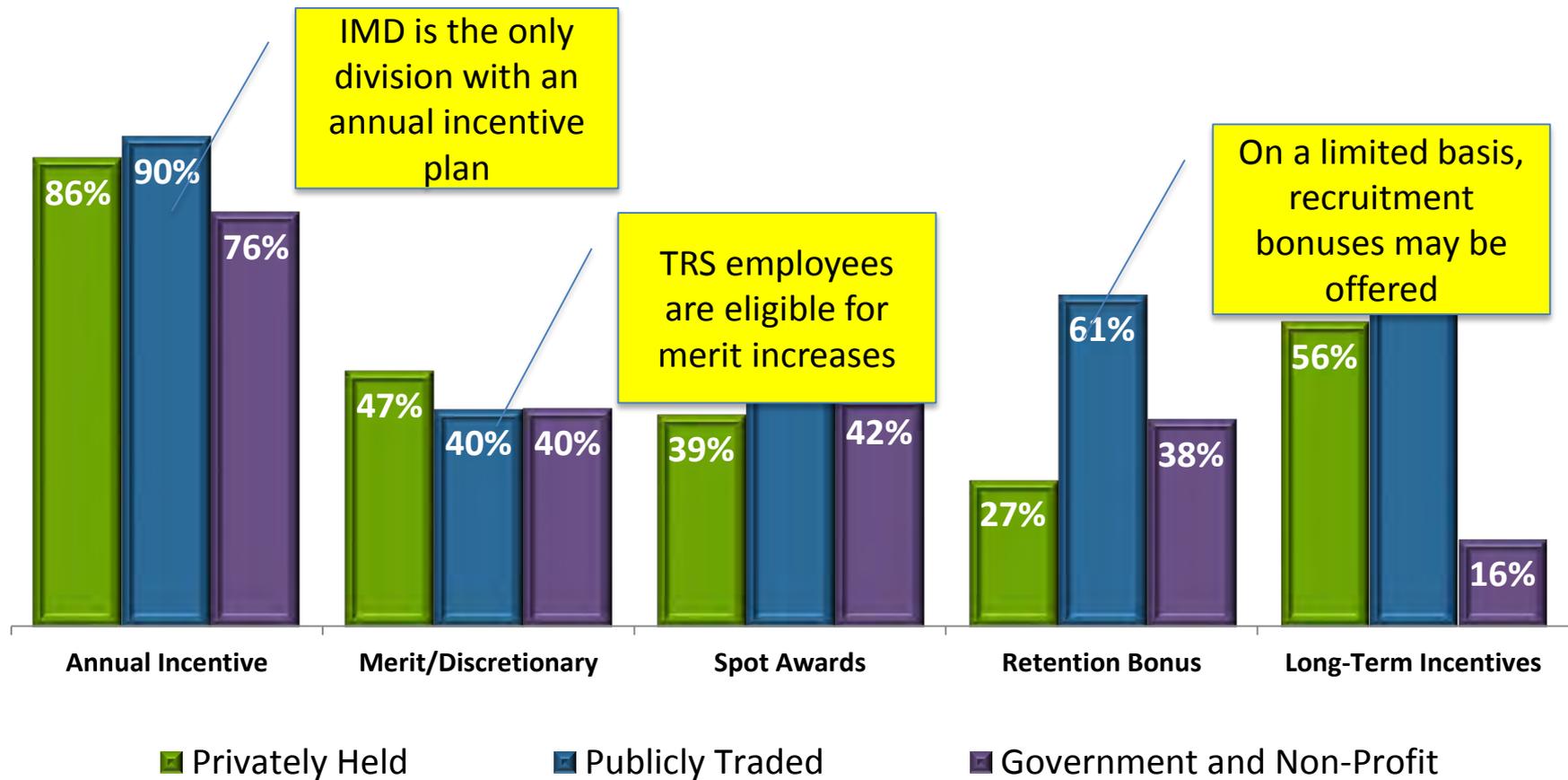
Percentage of Companies Offering Plans to Employees



Source: Incentive Pay Practices Survey, WorldatWork and Vivient Consulting – February 2014



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Compensation Considerations

	Current Plan	Proposed
Base Pay	Review market for all TRS positions.	Adjust base pay as appropriate to maintain market competitive salary rates <ul style="list-style-type: none"> • Allocate \$ ___ for base pay adjustments for Red River employees • Allocate \$ ___ for base pay adjustments for IMD employees
Merit Increases	TRS employees are eligible for merit increases (increases to base pay or lump-sum payments)	Continue to support merit increases to recognize individual performance. Allocate ___% of base salary for pool.
Recruitment and Retention Bonus	On a limited basis, and for select positions – recruitment/retention bonuses may be offered (\$5,000 maximum).	Continue to explore the use of recruitment bonuses for hard to fill positions.

Compensation Considerations

	Current Plan	Proposed
Annual Incentive Plan	IMD is the only division with a formal incentive plan which combines annual payouts based upon long-term performance targets.	<ul style="list-style-type: none">• Add Executive Council positions to the list of employees eligible for the current incentive compensation plan.• Create an annual incentive plan for employees at Red River linked to goals and tactics outlined in the strategic plan. Allocate ___% of base salary for pool.
Spot Awards	No current plan.	Dedicate a pool of money for spot awards to recognize teams, groups of employees or individuals for specific projects or events. Allocate ___% of base salary for pool.