



COMPENSATION UPDATE

HRIS has enabled functionality in PeopleSoft that will allow leaders to see enhanced information on their direct reports. **Compa-ratio** is one of the new pieces of information being provided to managers and supervisors. Accordingly, we wanted to give you some helpful guidance to help you answer any questions that may come your way about this term.

What is compa-ratio, and how is it calculated?

Compa-ratios are used to measure and monitor an individual's actual rate of pay to the midpoint of their pay range. It is a useful gauge for leaders to use in assessing experience versus salary level, magnitude of salary adjustment, etc. Compa-ratio is determined by the following formula: **current base salary (based on 1.0 FTE) / midpoint of the salary range.**

Example: a full-time employee in grade 8 has a base salary of \$35,000 per year.

$$\text{\$35,000} / \text{\$46,500} = 0.75 \text{ (compa-ratio is 0.75)}$$

- A compa-ratio of < 1.0 indicates that the salary range is less than the midpoint.
- A compa-ratio of > 1.0 indicates that the salary range is greater than the midpoint.

How is compa-ratio used?

Compa-ratio is most often used as a measure to indicate salary range progression. Normally, an experienced, fully proficient employee who is successfully meeting all job expectations is expected to have a compa-ratio of at or near the salary range midpoint¹ (~0.95 – 1.05). Progressively fewer employees are expected to be paid at levels from the salary range midpoint out toward either end of the pay range.

	2 nd Quartile (P25 to P50)		3rd Quartile (P50 to P75)		
1 st Quartile (Minimum to P25)	Compa-ratio 0.85 – 0.99	Midpoint (P50)	Compa-ratio 1.01 – 1.15	4 th Quartile (P75 to Maximum)	
Compa-ratio typically < 0.85		At midpoint, Compa-ratio = 1.0			Compa-ratio typically > 1.15
<ul style="list-style-type: none">▪ Novice employee; new to the job and on a learning curve▪ Minimal experience related to the position▪ Meets minimum qualifications and is able to perform basic duties and responsibilities	<ul style="list-style-type: none">▪ Gaining experience, skill and proficiency▪ Consistent “successful” performance	<ul style="list-style-type: none">▪ Experienced and fully qualified employee▪ Fully proficient skill level▪ Performance is consistently “successful” and frequently “exceeds expectations”	<ul style="list-style-type: none">▪ Experienced employees with performance that consistently “exceeds expectations”	<ul style="list-style-type: none">▪ Highest salary level for an employee with extensive experience with performance consistently rated “outstanding”	
Entry Level	Intermediate Level	Career or “Market” Level Compa-ratio ~ 0.95 – 1.05	Normally initial pay levels should not have a CR > 1.06, and almost never > CR 1.15 (must demonstrate “outstanding” performance)		

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Compa-ratio is also used along with the performance rating to determine merit increases. The high end of the merit increase range is recommended for the employees with lower compa-ratios and higher performance scores; the low end of the merit increase range is recommended for employees with higher compa-ratios and/or lower performance scores. Employees with a rating of *improvement expected* or *unacceptable* are not eligible for a merit increase.

The chart below demonstrates the relationship between compa-ratio and performance rating in driving merit increases.

MERIT MATRIX		Minimum of Pay Range ← → Maximum of Pay Range		
<div>Consistently exceeds expectations</div> <div>↕</div> <div>Gaining proficiency in meeting expectations</div>	PERFORMANCE RATING	COMPA RATIO		
		≤ 0.94	0.95 – 1.05	≥ 1.06
	Outstanding	Highest Merit Increase %		
	Exceeds Expectations			
	Successful			
	Improvement Expected			
	Unacceptable	0% Merit Increase		

If you have other questions about compa-ratio, or any of the other compensation elements now available to managers, please feel free to contact your **UM System Compensation** partners:

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