

**TO:** ALA Executive Board

**FROM:** Keith Michael Fiels, Executive Director

**RE:** FY 2005 Individual and Organizational Incentive Compensation

**ACTION REQUESTED/INFORMATION/REPORT:**

**CONTACT PERSON:** Keith Michael Fiels, Executive Director, [kfiels@ala.org](mailto:kfiels@ala.org)

**SUGGESTED MOTION:**

*The Executive Board approves the FY2005 Organizational Incentive Plan payout as recommended.*

**DATE:** October 24, 2005

**BACKGROUND:**

In August 2000, the American Library Association adopted a new employee performance evaluation and compensation system. Components of the system included a new system of standard and consistent classifications for Association employees, a new system for performance evaluation and a new performance evaluation instrument, and the establishment of individual and organizational incentive programs.

The new compensation system consists of three components:

**Annual adjustments** are granted to all employees who receive a satisfactory performance rating. Due to budgetary constraints, Association employees have received 2 per cent annual adjustment increases in 2003, 2004 and 2005. During this period, inflation has averaged approximately 3.0 per cent annually

The **individual incentive program** is designed to reward those employees whose performance has been above average or outstanding. The total amount available for individual incentive awards is budgeted at one per cent of the Association's salary budget, contingent upon the Association achieving its revenue and expenditure targets. During FY 2003 and 2004, no individual incentive awards were made due to lack of funding. In 2005, individual incentives will be awarded to outstanding employees for the first time. Individual incentive awards are one time payments based on performance in a particular fiscal year, and do not increase an employees base salary.

The **organizational incentive program** is designed to reward Association employees when they collectively achieve performance targets related to fiscal performance, membership growth, member service and personal learning. In 2005, the organization achieved three of the four targets, and a pro rated award is recommended as defined in the attached document. For 2005, the incentive award would be \$800 based on organization wide achievement of three of the four organizational goals.

More detailed descriptions of the individual and organizational incentive programs are attached.

## OBJECTIVE

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The American Library Association (the "Association") encourages the recognition of employees who make significant contributions to the success of the Association and fulfillment of its organizational/operational goals.

The Individual Incentive Plan (the "IIP") recognizes the outstanding efforts, progress and results of those high performing employees who make significant contributions to the Association's organizational/operational goals and are exemplary role models.

## PLAN YEAR

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The IIP is established for the period September 1, 2004 through August 31, 2005 (the "Plan Year") to reward employees whose performance results directly contribute to the success of the Association.

While it is anticipated that a similar IIP will be renewed in a comparable form on an annual basis, its existence in any form is not guaranteed.

## PARTICIPATION ELIGIBILITY

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A full-time employee on the payroll as of September 1, 2004 is eligible to participate in the IIP as a participant (the "Participant".)

A part-time employee who works at least 17.5 hours per week but less than 35 hours per week and is on the payroll as of September 1, 2004 is eligible to participate in the IIP as a Participant on a pro-rata basis.

New hires who join the Association during the Plan Year may be eligible to participate in the IIP as a Participant on a pro-rata basis with the approval of the Administration Committee (the "Committee").

Participation in the IIP is not available to any employee with a New Hire Date of March 1, 2005 or after.

Participation in the IIP is limited to Participants who receive an Overall Performance Rating Percentage of at least the midpoint of their department's Overall Performance Rating Percentages on their FY05 Performance Appraisal Form.

Participants are ineligible to participate in the IIP if they are on probation and/or in progressive discipline at the completion of the Plan Year.

Participants who are not employed at the time of payout are ineligible for any unpaid bonus payment.

## PAYOUT FORMULA

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The Committee may, in its sole discretion, elect to award a portion of the department's incentive pool to department Participants who receive an Overall Performance Rating Percentage of at least the midpoint of their department's Overall Performance Rating Percentages on their FY05 Performance Appraisal Form subject to the parameters outlined in the IIP.

## AWARD ADMINISTRATION

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A. Administration and final interpretation of the IIP will be the responsibility of the Committee comprised of the following employees:

- Executive Director, ALA
- Senior Associate Executive Director
- AED/Communications & Marketing
- AED/Finance
- AED/Publishing
- AED/Washington
- Director Development
- Director Human Resources
- Director Information Technology & Telecommunication Systems
- Division Executive Director

The Committee will meet regularly and have responsibility for maintaining the IIP document and administering and interpreting IIP provisions.

The Committee will also have responsibility for amending, modifying, suspending or terminating the IIP as a result of its regular reviews to determine the IIP's effectiveness. The Committee is authorized to amend, modify, suspend or terminate the IIP at any time, if deemed necessary, and without prior notice to Participants.

B. In deciding whether to award a bonus payment, and the amount of any such payment, the Committee may consider any facts it deems relevant, including but not limited to facts learned after the 2004/2005 Performance Appraisal Form has been completed.

C. A Participant who retires, dies or becomes totally and permanently disabled during the Plan Year may, in the Committee's sole discretion, be entitled to a pro-rata bonus payment.

D. Any bonus payment will be paid in a lump sum as soon as possible after the completion of the Association's year-end audit. Appropriate taxes will be deducted from the bonus payment. Any bonus payment will be subject to employer TIAA-CREF ((403)b) contribution. A Participant does not have a contractual right to receive any bonus payment. Participants become entitled to receive the bonus payment only after the bonus payment has been approved and authorized by the Committee.

E. Neither the establishment of the IIP nor the authorization to be a Participant in the IIP or to receive a bonus payment will be construed as giving the Participant the right to be retained in the service of the Association.

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The American Library Association (the "Association") succeeds because of the exceptional performance of its employees. Rewarding employees for their efforts is a fundamental principle of management, and at the Association annual adjustments and individual incentives go a long way toward rewarding individual performance. However, when the Association achieves its goals, this is a result of both individual and collective performance, and the value of the Association is enhanced. The Organizational Incentive Plan (the "OIP") has been designed to reward collective performance. When rewards for both individual and collective performance are combined, employees are provided an above average "earnings opportunity."

The OIP has been established as a way for the Association to share the rewards of its success with the employees who make it happen. Through the OIP, the Association acknowledges that each and every employee can affect the success of the Association – the clerk who lends a helping hand in shipping by increasing output – the accountant who recommends a modified procedure, shortening report preparation time – the administrative assistant who standardizes commonly used word processing formats, improving administrative efficiency – the technician who conducts one last test just in case it might be the one that helps unravel the problem his or her colleague encountered earlier in the day

#### **PARTICIPATION ELIGIBILITY**

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A full-time employee on the payroll as of September 1 is eligible to participate in the OIP as a participant (the "Participant".)

A part-time employee who works at least 17.5 hours per week but less than 35 hours per week and is on the payroll as of September 1 is eligible to participate in the OIP as a Participant on a pro-rata basis.

New hires who join the Association during the Plan Year may be eligible to participate in the OIP as a Participant on a pro-rata basis with the approval of the Administration Committee (the "Committee").

Participation in the OIP is not available to any employee with a New Hire Date of March 1 or after.

Participation in the OIP is limited to Participants who receive an Overall Performance Rating of 90% or greater on their 2004/2005 Performance Appraisal Form.

Participants are ineligible to participate in the OIP if they are on probation and/or in progressive discipline at the completion of the Plan Year.

Participants who are not employed at the time of payout are ineligible for any unpaid bonus payment

## PAYOUT FORMULA

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Any one-time payment paid under the OIP will be based on the Association's fiscal year-end performance results and will be determined and paid to Participants only at the sole discretion of the Association.

No one-time payment will be paid to any Participant unless the Association achieves or exceeds its Financial Performance goal.

If the Association achieves or exceeds its Financial Performance goal, each Participant will receive a \$400.00 payout subject to the parameters outlined in the OIP.

If the Association achieves or exceeds its Financial Performance goal plus one other goal, each Participant will receive a \$600.00 payout subject to the parameters outlined in the OIP.

If the Association achieves or exceeds its Financial Performance goal plus two other goals, each Participant will receive an \$800.00 payout subject to the parameters outlined in the OIP.

If the Association achieves or exceeds its Financial Performance goal and its Efficiency & Improvement, Members/Customers/Partners and Personal Learning goals, each Participant will receive a \$1,000.00 payout subject to the parameters outlined in the OIP.

### Pay out

A Participant who retires, dies or becomes totally and permanently disabled during the Plan Year may, in the Committee's sole discretion, be entitled to a pro-rata bonus payment.

Any one-time payment will be calculated on the Participant's base pay as of August 31, 2005 and paid in a lump sum as soon as possible after the completion of the Association's year-end audit. Appropriate taxes will be deducted from the one-time payment. Any one-time payment will be subject to employer TIAA-CREF ((403)b) contribution. A Participant does not have a contractual right to receive the one-time payment. Participants become entitled to receive the one-time payment only after the bonus payment has been approved and authorized by the Committee.

Neither the establishment of the OIP nor the authorization to be a Participant in the OIP or to receive a one-time payment will be construed as giving the Participant the right to be retained in the service of the Association.

### **ALA Rolls Out New Incentive-Based Pay Plan**

On September first, ALA implemented a new compensation and performance management system for all ALA employees at the Association's Chicago headquarters, its Washington Office, and the *Choice* magazine office in Connecticut.

In 1999, senior management at ALA, with the approval of the Executive Board, undertook a major overhaul of the association's job classifications, compensation system and performance evaluation system, which was last reviewed in 1987. The goal of the process was to modernize job descriptions, streamline classifications schedules, bring salary schedules into line with comparable organizations, improve consistency across offices, units and divisions, and to implement a goal based, incentive driven performance management system.

As part of this three-year effort, management worked with the consulting firm PricewaterhouseCoopers, who conducted an independent study of market values for comparable jobs in other associations and industries, assisted in the development of core competencies for association employees, and developed training programs for managers and employees in using the new system. Total cost of these services was \$76,000 over the three-year period.

Under the new system, over 250 job titles have been compressed to 138, and the number of grade levels from 17 to 11. ALA employees now develop yearly common organizational goals, as well as personal goals. They receive a cost of living increase, and are then eligible for personal and organizational incentive s tied to exceeding personal and organizational goals and, in the case of those positions and units, which generate revenue, financial goals.

“ALA needs to be a role model for the profession in terms of equitable compensation,” said Executive Director Keith Michael Fiels, “ and we believe this new performance system and compensation plan takes a giant step in that direction.”

In addition to helping make ALA a more responsive, goal oriented organization, the new system provided an even more immediate benefit for some ALA staff members: Twenty of ALA’s 284 staff members received salary increases totaling \$63,000. ALA’s total annual payroll last year was approximately \$13 million.

American Library Association  
FY 2005 General Financial Results

Adjusted Net Revenue Remaining	739,700
Organizational Incentive Payout	180,000
Net Revenue Remaining	559,700

