

Manager Talking Points

For Performance Evaluations

June 2010



These scenario-based discussion notes are intended to help you answer employee questions during your performance evaluations. They are intended as broad guidance, and do not attempt to anticipate every potential question you might receive as manager.

As a manager, you are empowered under our new Performance Management system with the tools and flexibility to appropriately rate and reward the performance of your employees.

To use these discussion notes, please refer to the Rating and Merit Matrix below. Find the scenario that applies to the employee you are reviewing, and use the discussion notes that correspond to that scenario.

For additional guidance on each topic, please be sure to refer to these documents at the back of this guide:

- Evaluation Components and Weights
- Understanding CCHMC's Market-Based Compensation Philosophy

If you need additional help with specific employee questions, please contact your HR Business Partner (HRBP).

Rating and Merit Matrix

Compa-ratio	Exceptional Year (0.0%-6.0% Range)	On-Target (0.0%-5.0% Range)	Improvement Needed 0%
Above Range > 125%	0.0% - 3.0% Increase <i>(talking points start on page 2)</i>	0.0% - 2.0% Increase <i>(talking points start on page 10)</i>	0% <i>(talking points start on page 22)</i>
Above Market 111% - 125%	1.0% - 4.0% Increase <i>(talking points start on page 4)</i>	1.0% - 3.0% Increase <i>(talking points start on page 13)</i>	0% <i>(talking points start on page 22)</i>
Within Market 90% - 110%	2.0% - 5.0% Increase <i>(talking points start on page 6)</i>	1.0% - 4.0% Increase <i>(talking points start on page 16)</i>	0% <i>(talking points start on page 22)</i>
Below Market < 90%	3.0% - 6.0% Increase <i>(talking points start on page 8)</i>	2.0% - 5.0% Increase <i>(talking points start on page 19)</i>	0% <i>(talking points start on page 22)</i>

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Exceptional Year - Above Range

About your rating

- An Exceptional Year rating reflects performance that demonstrates outstanding accomplishments, strongly differentiated contributions, high quality outcomes, and a display of behaviors that have a significant impact on either the department/division or CCHMC during the evaluation year.
- It is a tremendous rating that reflects some of the most significant performance years in one's career. This rating is granted for outstanding sustainable performance and/or significant achievements over the year
- It is not the same as an Excels rating in our old system. It's an opportunity to recognize exceptional performance in a way that has not existed before.



- Stellar performers might receive Exceptional Year occasionally, but not necessarily every year.
- What is considered exceptional last year might not be exceptional this year. It's a rating that is relative to the performance of others, as determined by calibration.

How ratings are determined

- **MANAGER: Please refer to "Evaluation Components and Weights," which you can find at the back of this guide.**
- Ratings are based on manager evaluation, peer feedback, and employee self evaluation.
- Categories and items weighted more heavily have a greater impact in overall ratings. (For example, if you received Exceptional Year ratings on three items that were weighted at 10% each, and an On Target rating for an item that was weighted at 60%, the On Target rating will carry significantly more weight when determining your overall rating.)
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- Training does not directly impact overall ratings.

How we ensure consistency in ratings across departments

- Before individual performance evaluations begin, department managers and leaders meet and share performance data across their departments.
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How base pay ensures your pay is competitive in the market

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- Most organizations target the 50th percentile.
- If an employee is paid at midpoint of their CCHMC pay range, their salary is higher than 65 out of every 100 people in the same job in the external market.
- For employees who are already paid above market, please keep in mind that although the potential percentage increases are not as great as those for employees below market, the absolute dollar impact of their potential increase is still high. Here is an example to explain:

Lisa – Exceptional Year	Amy – Exceptional Year	Comparison
Lisa is paid \$40,000 in a job that has a market midpoint of \$60,000. Because she is "below market," she is eligible to receive a percentage increase up to 6% of her current pay, or an absolute dollar increase of \$2400 per year ($\$40,000 \times .06$).	Amy is paid \$80,000 in a job that has a market midpoint of \$60,000. Because she is "above market," she is eligible to receive a percentage increase up to 3% of her current pay, or an absolute dollar increase of \$2400 per year ($\$80,000 \times .03$).	Although Lisa and Amy receive different percentage increases, their absolute dollar increases are the same. Our merit matrix helps ensure this consistency of opportunity for employees at all levels of the pay range.

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Exceptional Year - Above Market

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Exceptional Year - Within Market

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Exceptional Year - Below Market

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On Target - Above Range

About your rating

- On Target is a desirable rating that will apply to most employees
- The On Target rating reflects performance that demonstrates accomplishments and contributions during the evaluation year that solidly support organizational performance and values.
- On Target is a desirable rating that includes performance that is acceptable all the way up to performance that is above average or even excellent.



- Most employees remain On Target performers throughout their careers, and represent the foundational strength of our organization.
- At CCHMC we hire top performers, have high expectations of them, and pay them accordingly.
- On Target means an employee is a top performer in the overall market, and they work among other top performers.
- Employees should think of it as being Top 10 of their high school class, then going to a college that accepts only students at the highest academic levels. As a CCHMC employee, they are already recognized (through our base compensation program) as being a high performer.
- Consider Olympic athletes. CCHMC employees are like Olympic competitors. They are among the top performers and are competing for the top award.
- For employees who often received Excels ratings under our old system, and who are struggling with receiving an On Target rating, please remind them that On Target includes excellent performance, and that Exceptional Year is not the same as Excels. Exceptional Year is a new rating we've never had before. It is reserved for performance that reflects the most significant performance in one's career.

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- Training does not directly impact overall ratings.
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Alex – “On Target”	John – “On Target”	Comparison
Alex is paid \$40,000 in a job that has a market midpoint of \$60,000. He is “below market,” and receives a percentage increase of 4% of his current pay, or an absolute dollar increase of \$1600 per year ($\$40,000 \times .04$).	John is paid \$80,000 in a job that has a market midpoint of \$60,000. He is “above market,” and he receives a percentage increase of 2% of his current pay, or an absolute dollar increase of \$1600 per year ($\$80,000 \times .02$).	Although Alex and John receive different percentage increases, their absolute dollar increases are the same. Our merit matrix helps ensure this consistency of opportunity for employees at all levels of the pay range.

What it takes to get an Exceptional Year rating

- An Exceptional Year rating reflects performance that demonstrates outstanding accomplishments, strongly differentiated contributions, and display of behaviors that exceed organizational values during the evaluation year.
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- It is performance that would be considered a results-oriented career highlight.
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- Exceptional Year is not the same as Excels. It’s an opportunity to recognize exceptional performance in a way that has not existed before. On Target includes excellent performance.
- Consider again our college analogy from above. Those who receive Exceptional Year ratings are the valedictorians among the high performers.
- Consider again our Olympic analogy from above. Those who receive Exceptional Year ratings are the medal winners.

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On Target - Above Market

About your rating

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- At CCHMC we hire top performers, have high expectations of them, and pay them accordingly.
- On Target means an employee is a top performer in the overall market, and they work among other top performers.
- Employees should think of it as being Top 10 of their high school class, then going to a college that accepts only students at the highest academic levels. As a CCHMC employee, they are already recognized (through our base compensation program) as being a high performer.
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 - It is performance that would be considered a results-oriented career highlight.
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 - What is considered exceptional last year might not be exceptional this year. It's a rating that is relative to the performance of others, as determined by calibration.
 - Exceptional Year is not the same as Excels. It's an opportunity to recognize exceptional performance in a way that has not existed before. On Target includes excellent performance.
 - Consider again our college analogy from above. Those who receive Exceptional Year ratings are the valedictorians among the high performers.
 - Consider again our Olympic analogy from above. Those who receive Exceptional Year ratings are the medal winners.

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On Target - Below Market

About your rating

- On Target is a desirable rating that will apply to most employees
- The On Target rating reflects performance that demonstrates accomplishments and contributions during the evaluation year that solidly support organizational performance and values.
- On Target is a desirable rating that includes performance that is acceptable all the way up to performance that is above average or even excellent.



- Most employees remain On Target performers throughout their careers, and represent the foundational strength of our organization.
- At CCHMC we hire top performers, have high expectations of them, and pay them accordingly.
- On Target means an employee is a top performer in the overall market, and they work among other top performers.
- Employees should think of it as being Top 10 of their high school class, then going to a college that accepts only students at the highest academic levels. As a CCHMC employee, they are already recognized (through our base compensation program) as being a high performer.
- Consider Olympic athletes. CCHMC employees are like Olympic competitors. They are among the top performers and are competing for the top award.
- For employees who often received Excels ratings under our old system, and who are struggling with receiving an On Target rating, please remind them that On Target includes excellent performance, and that Exceptional Year is not the same as Excels. Exceptional Year is a new rating we've never had before. It is reserved for performance that reflects the most significant performance in one's career.

How ratings are determined

- **MANAGER: Please refer to "Evaluation Components and Weights," which you can find at the back of this guide.**
- Ratings are based on manager evaluation, peer feedback, and employee self evaluation.
- Categories and items weighted more heavily have a greater impact in overall ratings. (For example, if you received Exceptional Year ratings on three items that were weighted at 10% each, and an On Target rating for an item that was weighted at 60%, the On Target rating will carry significantly more weight when determining your overall rating.)
- Age-specific competencies do not directly impact overall ratings.

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- Training does not directly impact overall ratings.
- Overall ratings are based on a number of individual ratings in different categories. Employees might receive several "Exceptional Year" ratings in individual categories but not receive an overall "Exceptional Year" rating.

How we ensure consistency in ratings across departments

- Before individual performance evaluations begin, department managers and leaders meet and share performance data across their departments.
- These are called calibration sessions, and they ensure consistency in how the rating scale is applied within a department.
- Individual performance ratings are vetted across the department, not decided unilaterally by managers.

About your merit increase: Paying for performance

- **MANAGER: Please refer to the Rating and Merit Matrix on page one of this guide.**
- Our previous approach to merit increases did not have the flexibility to differentiate and reward contributions. Your rating dictated the percentage of your merit increase (For example, "Achieves" received a fixed 2.5% increase).
- Our new Merit Matrix provides managers with greater flexibility to appropriately reward performance. (For example, "On Target" can receive an increase of up to 5.0% depending on your contributions and your pay compared to the market).
- While there are fewer ratings in our new rating scale, there is a broader spectrum of merit increase possibilities to reward performance.

How base pay ensures your pay is competitive in the market

- **MANAGER: Please refer to "Understanding CCHMC's Market-Based Compensation Philosophy," which you can find at the back of this guide.**
- Employees are expected to be high performers, and our base compensation philosophy accounts for this fact by structuring our salary ranges at a highly competitive position vs. the external market
- Each year we compare our pay practices to the external market (hospitals, research facilities and businesses-locally & nationally) to ensure competitiveness
- We target the 65th percentile of the market with our base pay ranges for most jobs.
- Most organizations target the 50th percentile.
- If an employee is paid at midpoint of their CCHMC pay range, their salary is higher than 65 out of every 100 people in the same job in the external market.

What it takes to get an Exceptional Year rating

- An Exceptional Year rating reflects performance that demonstrates outstanding accomplishments, strongly differentiated contributions, and display of behaviors that exceed organizational values during the evaluation year.

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- Exceptional Year is a tremendous rating to reflect the most significant performance in one's career.
 - It is performance that would be considered a results-oriented career highlight.
 - Stellar performers might receive Exceptional Year occasionally, but not necessarily every year.
 - What is considered exceptional last year might not be exceptional this year. It's a rating that is relative to the performance of others, as determined by calibration.
 - Exceptional Year is not the same as Excels. It's an opportunity to recognize exceptional performance in a way that has not existed before. On Target includes excellent performance.
 - Consider again our college analogy from above. Those who receive Exceptional Year ratings are the valedictorians among the high performers.
 - Consider again our Olympic analogy from above. Those who receive Exceptional Year ratings are the medal winners.

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Improvement Needed (all positions in the salary market)

About your rating

- This rating reflects performance and behaviors that are below the desired target or not demonstrated as proficient.
- A rating of Improvement Needed indicates an opportunity for development and a need to establish a strategy for improvement.
- An overall rating of Improvement Needed warrants the need to establish a performance improvement plan.
- Ratings of Improvement Needed in individual categories may also warrant a performance improvement plan.

How ratings are determined

- **MANAGER: Please refer to "Evaluation Components and Weights," which you can find at the back of this guide.**
- Ratings are based on manager evaluation, peer feedback, and employee self evaluation.
- Categories and items weighted more heavily have a greater impact in overall ratings. (For example, if you received Exceptional Year ratings on three items that were weighted at 10% each, and an On Target rating for an item that was weighted at 60%, the On Target rating will carry significantly more weight when determining your overall rating.)
- Age-specific competencies do not directly impact overall ratings.
- Training does not directly impact overall ratings.
- Overall ratings are based on a number of individual ratings in different categories. Employees might receive several "On Target" (or even "Exceptional Year") ratings in individual categories but not receive an overall "On Target" rating.

How we ensure consistency in ratings across departments

- Before individual performance evaluations begin, department managers and leaders meet and share performance data across their departments.
- These are called calibration sessions, and they ensure consistency in how the rating scale is applied within a department.
- Individual performance ratings are vetted across the department, not decided unilaterally by managers.

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About your lack of a merit increase: Paying for Performance

- **MANAGER:** Please refer to the Rating and Merit Matrix on page one of this guide. Also refer to "Understanding CCHMC's Market-Based Compensation Philosophy," which you can find at the back of this guide.
- There is no merit increase for employees who receive a rating of Improvement Needed
- Employees are expected to be high performers, and our base compensation philosophy accounts for this fact by structuring our salary ranges at a highly competitive position vs. the external market:
 - Each year we compare our pay practices to the external market (hospitals, research facilities and businesses-locally & nationally) to ensure competitiveness
 - We target the 65th percentile of the market with our base pay ranges for most jobs. Most organizations target the 50th percentile.
 - If an employee is paid at midpoint of their CCHMC pay range, their salary is higher than 65 out of every 100 people in the same job in the external market.
- Employees who receive a rating of 'Improvement Needed' have not delivered the kind of performance that merits premium pay

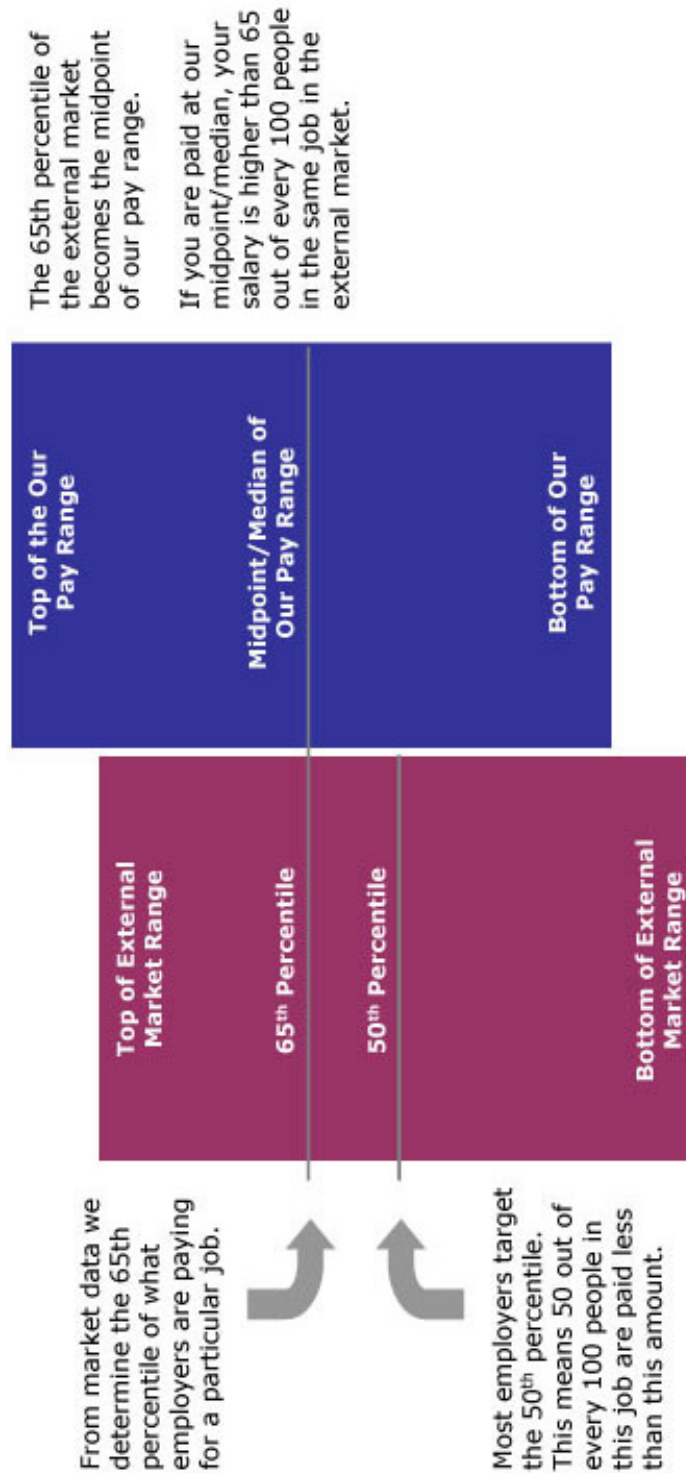
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Understanding CCHMC's Market-Based Compensation Philosophy

We target a highly competitive position when determining salary ranges for jobs



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