

1 **Q. Further to the response to PUB-NP-010, explain how the annual cash compensation**
2 **component of managerial employees' salaries is determined. In the response provide**
3 **specific examples of cash payments amounts paid in 2018 and how they were**
4 **calculated.**

5
6 A. Newfoundland Power's managerial employees are compensated through a pay-for-
7 performance compensation system which includes both a salary progression component
8 and an annual cash compensation component. The pay-for-performance system is
9 designed to encourage and reward employees based on their individual performance
10 including technical competency, execution and personal development. The annual cash
11 compensation, or merit pay, is paid in the year to which the recognition of performance is
12 attributable.

13
14 The basis of Newfoundland Power's managerial pay-for-performance compensation
15 system is an annual performance review process. Each year, supervisors meet with
16 employees throughout the year to set objectives, evaluate and discuss the employee's
17 performance.

18
19 In the fall of each year, performance feedback is submitted to the Company's human
20 resources department for each managerial employee. Employee performance is assessed
21 within a range of 1 to 5 points. For example, a score of 5 points indicates that the
22 employee significantly exceeds expectations, a score of 3 points indicates that the
23 employee fully meets expectations and a score of 1 point indicates that the employee
24 performed below expectations. These ratings are used to determine the level of salary
25 progression and whether cash compensation is merited for each employee. The merit
26 cash compensation will range from 0 to 4.5% for positions in bands 2-6, 0 to 6.5% for
27 positions in bands 7-8, and 0 to 9% for positions in band 9. Job positions are generally
28 assigned to bands depending on the degree of skill and/or responsibility associated with a
29 particular position.

30
31 Managerial employee performance and merit pay recommendations are reviewed by
32 Newfoundland Power's human resources department, senior management and executive.
33 In November or December of each year, the results of the review, including salary
34 progression and any cash compensation, are communicated to each employee by their
35 direct supervisor.

36
37 The 2018 merit cash payments will not take place until November or December of this
38 year. As a result, examples from 2017 are provided.

2017 Merit Cash Payment Calculation Examples:

Analyst

Salary: \$64,070
Band: 4
Performance Rating: 3.6
Performance Rating Description: Fully Meets Expectations
Maximum Rating: 5
Maximum Merit Cash Percentage: 4.5%
Merit Cash Calculation: $(3.6/5) * 4.5% * \$64,070 = \$2,076$
(rounded to nearest dollar)

Technologist

Salary: \$80,970
Band: 5
Performance Rating: 3.0
Performance Rating Description: Fully Meets Expectations
Maximum Rating: 5
Maximum Merit Cash Percentage: 4.5%
Merit Cash Calculation: $(3.0/5) * 4.5% * \$80,970 = \$2,186$
(rounded to nearest dollar)

Manager

Salary: \$105,030
Band: 8
Performance Rating: 4.1
Performance Rating Description: Consistently Exceeds Expectations
Maximum Rating: 5
Maximum Merit Cash Percentage: 6.5%
Merit Cash Calculation: $(4.1/5) * 6.5% * \$105,030 = \$5,598$
(rounded to nearest dollar)