NEW YORK POWER AUTHORITY	EP:	2.1
	REVISION:	14
EMPLOYEE POLICY	DATE:	8/15/08

PLEASE REFER TO THE PORTION OF THE EMPLOYEE POLICIES ENTITLED DISCLAIMERS WHERE YOU WILL FIND A STATEMENT WHICH PERTAINS TO ALL EMPLOYEE POLICIES, INCLUDING THIS ONE.

SALARY ADMINISTRATION POLICY

1.1 This policy governs the administration of salary for all full-time, part-time and provisional exempt and non-exempt Authority employees, as defined in the Salaried Employees' Eligibility for Benefits policy (EP: 3.1).

1.2 This policy enables the New York Power Authority:

a) To recognize and reward different degrees of performance through salary changes within budget limits;

b) To provide salary opportunities relatively competitive with external pay practices for substantially similar work;

c) To provide every salaried employee with periodic performance assessments that may or may not result in a change in salary.

1.3 The policy provides guidelines and criteria for management's use in administering cash compensation.

1.4 Except as stated otherwise, all salary actions described in this policy require the approval of no less than the Business Group Head and the Human Resources Department Head, or designee.

1.5 The Authority pays exempt employees on a salary basis and does not intend to make any deductions from these salaries which are prohibited under the Fair Labor Standards Act. Any employee who believes an improper deduction may have occurred should raise the issue and bring supporting documentation, if any, to the attention of the Payroll department as soon as practicable after the deduction occurs. Payroll will then work with the Compensation group and should it be determined that an improper deduction in fact occurred, the employee will be reimbursed for that amount. Complaints may also be communicated via the Employee Concerns Line [1-877-TEL-NYPA].

General Guidelines

2.1 For Annual Salary Adjustment purposes, all employees will have a PERFORMANCE PLUS document summarizing their annual performance. (See PERFORMANCE PLUS Instructions on the Powernet for ratings definitions.)

2.2 Any adjustment to an employee's base salary is subject to the annual salary budget.

2.3 Except where otherwise mentioned, any salary adjustment referenced in this policy is to be calculated on base salary only.

2.4 Except where otherwise mentioned, annual base salaries and any action affecting the annual base salary of Vice Presidents and/or Executive Band level employees must be approved by the Human Resources Department Head, the President & CEO and the Compensation Committee.

Annual Salary Adjustment

3.1 An employee whose performance earns a rating of **'1'**, **'2'**, **'3'** or **'4'** (see PERFORMANCE PLUS Instructions), is eligible for an Annual Salary Adjustment. A salary increase is intended to provide recognition and reward for performance within the parameters of the Authority's annual salary budget. All such increases must be approved by the Business Group Head and the Human Resources Department Head, or designee.

3.2 An assessment in a PERFORMANCE PLUS document ensures that an employee is considered for a salary adjustment. A performance assessment does not guarantee a salary increase.

3.3 Such annual performance assessments will normally be completed during January. This is referred to as the Annual PERFORMANCE PLUS Assessment Period. Annual Salary Adjustments are generally effective on or about March 1. In the case of leaves of absence, the effective date of increases may be adjusted (See Section 13).

3.4 Base salaries of employees who earn a rating of **'3'** or **'4'** can reach the maximum of the salary range for their job grade but cannot exceed it. If applying the total recommended increase would result in a **'3'**- or **'4'**-rated employee exceeding the maximum of the salary range, the increase or that portion in excess of the maximum will be granted in the form of a lump sum that does not become part of base salary.

3.5 Base salaries of employees in Executive/Management Band positions who earn a rating of **'3'** or **'4'** may not exceed 110 percent of the market target. Any increase in excess of the 110% will be granted in the form of a lump sum in lieu of an Annual Salary Adjustment that does not become part of base salary.

3.6 Base salaries of employees who earn a rating of **'1'** or **'2'** may exceed the maximum of their grade range to a compa-ratio of 124. The base salaries for Executive/Management Band employees who earn a rating of **'1'** or **'2'** may exceed the maximum of their target range to a compa-ratio of 114.

3.7 The Annual Salary Adjustment is calculated on the employee's base salary as of December 31 of the prior calendar year.

3.8 No Annual Salary Adjustment will be given to employees who earn a performance rating of **'5'**.

3.9 New employees hired between September 1 and December 31 of the prior calendar year will not be eligible to be considered for an Annual Salary Adjustment until on or about September 1 in the year following their hire.

3.10 If an employee is still under the minimum of the salary range (or more than 10% below the Executive/Management Band target) after an Annual Salary Adjustment, the manager should contact the Human Resources Compensation group for guidance in moving the employee to the minimum of the salary range.

3.11 Only employees who earn a PERFORMANCE PLUS rating of **'1'**, **'2'** or **'3'** are eligible for an under-the-minimum increase.

3.12 Any Annual Salary Adjustment at variance with the guidelines is an exception and requires approval as set forth in Section 15.

Promotional Increases

4.1 A promotion is generally defined as the assignment of an employee to a position one or more grades or Executive/Management Bands higher than the employee's current position.

4.2 A promotion may be accompanied by an increase in salary at the discretion of the Business Group Head, and with the approval of the Human Resources Department Head, or designee.

4.3 At least six months must elapse between promotional increases.

4.4 *Competency-based Promotions*
Competencies are essential knowledge, skills, and abilities required by the Authority and which equip an individual to perform a certain level of work. Competency-based promotions are permitted:

a) for employees in certain job families for which specific competency definitions have been developed. Competencies are delineated in specific models for job families. Promotions are defined within the model. Those models include but may not be limited to: engineering, system operations (dispatchers), power trading and positions at the Flynn plant.

b) for a re-evaluated position or upgrade where an employee's current job has expanded responsibilities or the level of competency is such that market analysis results in a higher job grade.

4.5 *Organizational Promotions* acknowledge the fact that an employee has been assigned a different job with expanded responsibilities at a grade higher than the employee's current position.

4.6 A promotion may include an increase in salary of up to 10%. This increase should place the employee's salary in the grade or target range of the new position. The new salary, however, is limited to a compa-ratio of 112, or the market target for an Executive/Management Band position.

4.7 When a 10% maximum promotional increase does not bring the employee's salary to the minimum of the new grade or target range, the employee may receive an additional salary increase up to the *maximum annual salary action of 17.5% (See section 6.1)*. If applying the maximum annual salary action of 17.5% does not take the employee's salary to the minimum of their new grade or target, the Business Unit or Department head with the approval of their Business Group Head, shall contact the Human Resources Compensation group to devise a plan to move the employee to the minimum of the salary range within a specified period of time, which is to be approved by the Human Resources Department Head or designee.

Market / Equity Adjustments

5.1 In extraordinary situations, an adjustment to base salary may be permitted, to achieve internal and/or market equity.

5.2 All such adjustments must be reviewed and approved by the Compensation group, in concurrence with the Human Resources Department Head, or designee, and the Business Group Head.

5.3 Only employees who earn a PERFORMANCE PLUS rating of **'1'**, **'2'** or **'3'** are eligible for a market adjustment.

Annual Salary Action Caps

6.1 An annual maximum of 17.5% (based on the total of all increase percentages) will apply to all salary actions including, but not limited to, the Annual Salary Adjustment, promotional increases and any other base salary adjustments.

Timing of Salary Actions

7.1 The Human Resources Compensation group will accept requests to review competency-based promotions, market or equity adjustments, and grade re-evaluations during the 8-month period of March 1 through October 31, *only*.

7.2 Organizational promotion requests will be acted upon at any time during the year.

7.3 The effective date of all salary increases is the date approved by the Human Resources Department Head, or designee.

First Line Supervisor Differential

8.1 To prevent inequities between bargaining unit employees or equivalent positions, and their supervisors, First Line Supervisors (FLS) shall be paid a minimum five percent (5%) above the annualized **base rate** of pay of the supervised bargaining unit employee (or equivalent positions). This differential applies to FLS who achieve an annual performance rating of **'1'**, **'2'** or **'3'**, only, for their prior year's performance.

Note: **Base Rate** of pay is defined as the negotiated hourly rate for the job, excluding any other payments granted to an employee such as premiums and overtime.

Incentive Pay

9.1 An incentive is a lump sum award paid in recognition of the extraordinary achievement of an individual or a group, on special projects or in unique situations that are critical to the Authority.

9.2 An incentive plan may be developed

a) Before the start of a project, based on a pre-determined set of measures associated with the project goals and announced to those employees who are eligible, or

b) After exemplary completion of an extraordinary project that evolved during a given year.

9.3 Criteria for such an award must include extraordinary tangible benefits to the Authority such as reduced costs or increased revenue.

9.4 An incentive plan may be developed upon the recommendation of the Business Group Head accountable for the results, and the Human Resources Department Head, or designee.

9.5 All incentive proposals must be reviewed and approved by the Human Resources Compensation group, the Executive Vice President & CFO and the Human Resources Department Head. Incentive proposals in excess of $15,000 must have the concurrence and approval of the President and Chief Executive Officer and the Compensation Committee assigned by the Chairman.

Hiring & Retention

10.1 Special incentives for the purpose of attracting or retaining staff may be recommended by a Business Group Head. Any such recommendations must be approved by the Human Resources Department Head, or designee. Hiring and retention incentives exceeding a value of $15,000 must have the concurrence and approval of the President and Chief Executive Officer.

Re-evaluation of Job Content

11.1 A change in grade may occur as the result of the reorganization of the work unit or re-evaluation of the position. If a position is re-evaluated upward as the result of a significant change in job content, consideration may be given to granting a promotional increase as previously defined and outlined in Section 4. If a position is re-evaluated downward, the procedure outlined in Section 11.2 should be used.

11.2 Employees whose positions are downgraded and whose salaries are above the maximum of the new grade range will have their salaries reduced to 4.0% above the maximum of the new grade or leadership target range.

Demotions

12.1 A *demotion* may occur as the result of inadequate employee performance, which leads to the employee being assigned to a new position that is one or more grades below the current grade level.

12.2 Employees demoted as a result of inadequate performance and whose salaries are above the maximum of the new assigned range will have their salaries reduced to no more than the maximum of the new grade or target range.

Approved Leaves of Absence

13.1 a) *Performance Assessments* – Annual performance assessments should be based on performance in the previous calendar year, regardless of the length of time the employee was on approved leave.

b) *Annual Salary Increase, if*

leave is less than 3 months – If the annual salary adjustment falls during an approved leave of less than three months, the annual salary adjustment for employees on such **paid leave** will be effective as of the common annual salary adjustment date. If on approved **leave with no pay** as of the common annual salary adjustment date, the annual salary adjustment will become effective on the day the employee returns to work or returns to paid status. The amount of the increase will not be affected by the leave.

leave is 3 months or longer – If the annual salary adjustment falls during an approved leave of three months or more, the annual salary adjustment will be effective on the date the employee returns to work, unless proscribed by any other policy, state or federal law. The amount of the increase will not be affected by the leave.

Lateral Transfers

14.1 A lateral transfer occurs when an employee moves from one job to another job which has the same job grade or target range.

14.2 Generally, additional compensation will not be granted in the case of lateral transfers. Each recommendation will be considered on its own circumstances and merit and requires the approval of the Human Resources Department Head, or designee.

14.3 Moves that are temporary or part of a development plan or program, or job changes that are part of a specific work project may be considered for additional compensation if the circumstances merit the approval of the Human Resources Department Head.

Exceptions

15.1 Any salary action varying from the guidelines of this policy are exceptions and require documentation and justification.

15.2 Exceptions to the policy require the specific approval of the Human Resources Department Head, or designee, for positions up to and including those in the Executive/Management Band. The additional approval of the President and Chief Executive Officer, or designee, and the Compensation Committee is required for exceptions involving Vice Presidents and/or Executive Band positions.

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