



Special Report

Commentary on Education Issues

Alternative Compensation Considerations

Recent changes to Iowa law have given school districts and Area Education Agencies (AEAs) the ability to modify their compensation models to meet the needs of their organizations. As school districts and AEAs begin to explore alternative compensation models, appropriate attention must be given to the values, beliefs, expectations and goals identified in board policy, as well as the legal, relationship and sustainability considerations of modifying compensation models.

The purpose of this document is to provide guidance to board governance teams that want to explore modifying their compensation models and to highlight the key considerations of implementing alternative compensation models.

Compensation is More than Salary

Compensation is any form of payment made to an individual for services rendered as an employee for an employer. Compensation includes the direct salary that the school district or AEA pays its employees as well as the benefits and working conditions that the organization offers.¹

Ideally, all compensation models should address the salary, benefits and working conditions of the school district or AEA.

Compensation Elements and Examples		
Salary	Benefits	Working Conditions
<ul style="list-style-type: none"> Direct Salary 	<ul style="list-style-type: none"> Paid Leave Insurance Long-Term Disability FICA IPERS Employer Contributions to 403(b) Plans Early Retirement 	<ul style="list-style-type: none"> Administrator Support Class Size Classroom Stress Contract Days Facilities Prof. Development Resources (Supplies)

Align Your Compensation Model with Board Policy

It is imperative that any compensation model have a clear and easily understood purpose that is aligned with board policy. Modifying compensation is a sensitive and potentially political topic that can have

¹ “How Can Non-Salary Benefits Contribute to a Competitive Salary Package?” *Teacher Pay and Teacher Quality: Attracting, Developing, and Retaining the Best Teachers*, by James H. Stronge et al., Corwin Press, 2006, pp. 58–61.

many unintended consequences (for example incentivizing the wrong behavior). This is especially true for districts and AEAs that are considering significant changes to compensation. The more significant the change to compensation, the greater likelihood that an unintended consequence will occur. Board governance teams should approach modifying compensation with caution.

Answer the following questions to ensure the compensation model is aligned with board policy:

Questions to Consider
<ul style="list-style-type: none">• What are the board’s values, beliefs, expectations and goals for employees as outlined in policy?<ul style="list-style-type: none">○ Does our policy reflect the board’s values, beliefs, expectations and goals?• What is the purpose of our current compensation model?• How does our current compensation model reinforce these values, beliefs, expectations and goals?<ul style="list-style-type: none">○ If it doesn’t, can minor changes properly address the issue?

Is Alternative Compensation Right for Your District/AEA?

If your current compensation model reinforces the board’s values, beliefs, expectations and goals for employees, then there is no need to go any further. If not, boards should determine whether modifying their compensation model is in the best interest of their organization.

Questions to Consider
<ul style="list-style-type: none">• What does the board believe an alternative compensation model will accomplish that the current compensation model does not?<ul style="list-style-type: none">○ Why does the board want to pursue alternative compensation?○ Are there specific recruitment and retention goals that the board is trying to attain?• Who will potential compensation changes affect – only teachers or other employee groups?• How does the board governance team’s relationship with local unions affect alternative compensation efforts?• Does the current economic and political environment support alternative compensation methods?

Compensation Modification – A Six Step Process

While there is no right way to modify compensation models, boards should consider a process that includes stakeholders, research, design, communication, implementation, and evaluation.

1. Identify and Recruit Stakeholders

Board governance teams should initiate the process by establishing a group comprised of stakeholders to research and design a compensation model that aligns with the board’s values, beliefs, expectations and goals.

Stakeholders may include, but are not limited to board members, administrators, teachers, classified staff and community members. Securing stakeholder support in the beginning stages of the compensation modification process is critical to the sustainability of any new compensation model.²

As detailed in IASB’s [Iowa Standards for Effective School Boards](#), it’s a good practice for boards to foster a work culture built around high-quality staff, shared leadership, staff learning and a safe and secure environment. A compensation model that has little to no stakeholder support could have negative effects on work culture.

2. Outline Scope of Research

Board governance teams should outline the scope of research being conducted by the stakeholder group. When defining the scope of research, board governance teams should answer the following questions:

Scope of Research Questions
<p>Purpose</p> <ul style="list-style-type: none"> • What component(s) of compensation will the stakeholder group address? <ul style="list-style-type: none"> ○ For which employee groups? • What are the expected outcomes, goals and limitations of the stakeholder group?
<p>Structure</p> <ul style="list-style-type: none"> • How many stakeholder group members? • Who selects the stakeholder group members? <ul style="list-style-type: none"> ○ Will there be local union representation in the stakeholder group? • Who is the point person of the stakeholder group? • What are roles of the various stakeholder group members? • How will the stakeholder group troubleshoot issues? • How often does the stakeholder group meet?
<p>Conduct</p> <ul style="list-style-type: none"> • How much time is the stakeholder group allotted to conduct research? • How is research being conducted? <ul style="list-style-type: none"> ○ What resources will the stakeholder group use? ○ What experts (if any) will be consulted?
<p>Compliance</p> <ul style="list-style-type: none"> • What systems are in place to ensure legal compliance? <ul style="list-style-type: none"> ○ How do open meetings laws apply?

By answering these questions, board governance teams will give the designated stakeholder group a framework to conduct the research necessary to design a compensation model that meets the board governance teams’ values, beliefs, expectations and goals.

3. Design a Sustainable Compensation Model

Stakeholder Group’s Role – Designing the Compensation Model

² “Stakeholder Roles.” *Paying Teachers for What They Know and Do: New and Smarter Compensation Strategies to Improve Schools*, by Allan Odden and Carolyn Kelley, Corwin Press, 2002, pp. 175–183.

After a thorough research process, the designated stakeholder group should design the new compensation model. The stakeholder group should answer the following questions related to the design of the compensation model:

Design Questions
<ul style="list-style-type: none"> • What significance, if any, will seniority play in the compensation model? • What significance, if any, will graduate degrees and hours play in the compensation model? • What significance, if any, will subject taught, work performed or environment play in the compensation model? • How are new hires (experienced or inexperienced) factored into the compensation model? • How are salary increases determined? • What significance, if any, will evaluation play in the compensation model? • What significance, if any, will professional development play in the compensation model? • How will extra roles and responsibilities be compensated? • How does the new compensation model reinforce the board's values, beliefs, expectations and goals as outlined in policy? • How is the new compensation model sustainable over the long term?

Board's Role – Ensuring Sustainability

Once the stakeholder group has designed a new compensation model, the board should work with the stakeholder group to ensure the new compensation model is sustainable. When considering sustainability, several financial, capacity and political questions should be addressed:

Sustainability Questions
<p>Financial</p> <ul style="list-style-type: none"> • What is the compensation model's impact on the current and future budgets? ³ <ul style="list-style-type: none"> ○ What assumptions have been incorporated into the cost of the compensation model? ○ Are these assumptions realistic? • How do current trends and projections affect the feasibility of the compensation model? • Does the compensation model rely on funding that is short term in nature? (for example, grants)
<p>Capacity</p> <ul style="list-style-type: none"> • Does the district have the organizational structure to implement the compensation model? • Does district staff (administrative and/or support) need additional training to implement the compensation model? ⁴ • How do staffing changes (administrative and/or support) affect the implementation of the compensation model?
<p>Political</p> <ul style="list-style-type: none"> • What is the staff's perception of the compensation model? <ul style="list-style-type: none"> ○ What factors can change that perception?

³ "Budgeting for Sustainability." *Teacher Pay and Teacher Quality: Attracting, Developing, and Retaining the Best Teachers*, by James H. Stronge et al., Corwin Press, 2006, pp. 152–153.

⁴ "Administrator Orientation and Ongoing Professional Development." *Performance-Based Pay for Educators: Assessing the Evidence*, by Jennifer King Rice and Betty Malen, Teachers College Press, 2017, pp. 57–60.

- What is the community’s perception of the compensation model?
 - If the perception is negative, what factors can change that perception?
- How does the political environment affect the feasibility of the compensation model?

4. Communicate the Compensation Model

Once a compensation model has been designed, the board and the stakeholder group should make efforts to communicate the compensation model. Communication is key to ensure public understanding, addresses concerns and garner support.⁵ Board governance teams and stakeholder groups should consider the following questions:

Communication Questions
<ul style="list-style-type: none"> • Who is the target audience? • What information needs to be communicated? <ul style="list-style-type: none"> ○ How does the new compensation model compare with the old compensation model? ○ What common messaging has been developed by the board and stakeholder group? • Who communicates the information and how will they do so? • Is the information easily understood? <ul style="list-style-type: none"> ○ What steps will the board and stakeholder groups take to clarify the compensation model?

5. Implement the Compensation Model

Board governance teams should then address implementing the compensation model. Implementation issues will vary from across districts and AEAs and may become more complex depending on the similarity of the old compensation model and the new compensation model.⁶

The following questions should be answered when considering implementation:

Implementation Questions
<ul style="list-style-type: none"> • What is the timeline for implementation? • Will the compensation model be piloted? <ul style="list-style-type: none"> ○ If so, how (by building or volunteer) • Will any employees be grandfathered into the old compensation model? <ul style="list-style-type: none"> ○ If not, what steps are taken to address potential loss of salary? • Is the implementation plan easily understood? • What are the obstacles to implementation? <ul style="list-style-type: none"> ○ How can the obstacles be overcome?

⁵ “Communication.” *Teacher Pay and Teacher Quality: Attracting, Developing, and Retaining the Best Teachers*, by James H. Stronge et al., Corwin Press, 2006, pp. 148–149.

⁶ “Plan for Implementation.” *Teacher Pay and Teacher Quality: Attracting, Developing, and Retaining the Best Teachers*, by James H. Stronge et al., Corwin Press, 2006, pp. 145–148.

6. Evaluate/Measure the Compensation Model

Board governance teams should consider evaluating the compensation model periodically to assess the effectiveness of the compensation model and to identify areas to improve and build upon.⁷ Boards should answer the following questions regarding evaluating the compensation model:

Evaluation Questions
<ul style="list-style-type: none">• How does the compensation model align with board’s values, beliefs, expectations and goals?• How will the compensation model be evaluated?• How often will the compensation model be evaluated?• How is success measured?• What stakeholder feedback (if any) will be requested?<ul style="list-style-type: none">○ How will the results be used?• Did the compensation model achieve what it was meant to accomplish?<ul style="list-style-type: none">○ Why or why not?• What were the unintended consequences?<ul style="list-style-type: none">○ How can those consequences be addressed?• What adjustments need to be made to the compensation model?

Teacher Leadership and Compensation

100% of Iowa public school districts voluntarily participate in the Teacher Leadership and Compensation (TLC) System. The goals of the TLC System are to attract promising new teachers, reward effective teachers, promote greater collaboration and ultimately improve student achievement.⁸

Each district is required to develop and maintain a local plan to implement the TLC System into their district. As boards consider alternative compensation, it is important not to forget that each local plan must meet the following minimum criteria:

TLC Minimum Criteria ⁹
<ol style="list-style-type: none">1. Minimum salary of \$33,500 for all full-time teachers;2. Increased support for new teachers;3. Differentiated, multiple teacher leadership roles;4. Rigorous selection process; and5. Aligned professional development system.

In addition, any teacher assigned to a teacher leadership position must have at least three years of teaching experience, and at least one year of experience in the school district.¹⁰ For additional

⁷ “Districtwide Implementation and Evaluation.” *Teacher Pay and Teacher Quality: Attracting, Developing, and Retaining the Best Teachers*, by James H. Stronge et al., Corwin Press, 2006, pp. 156–158.

⁸ “Teacher Leadership and Compensation (TLC) System.” *Iowa Department of Education*, educateiowa.gov/teacher-leadership-and-compensation-system.

⁹ “Teacher Leadership and Compensation Guidance.” *Iowa Department of Education*, https://educateiowa.gov/sites/files/ed/documents/TLC%20Guidance%202016-17_0.pdf.

¹⁰ “Teacher Leadership and Compensation Guidance.” *Iowa Department of Education*, https://educateiowa.gov/sites/files/ed/documents/TLC%20Guidance%202016-17_0.pdf.

information please visit the [IASB Special Report on the Teacher Leadership and Compensation System](#) from February 12, 2015.

Legal Requirements and Considerations

It is important to be aware of some of the minimum requirements related to compensation in Iowa. Review the following list of requirements and work with legal counsel to ensure legal compliance. Note: This list may not cover every possible scenario.

Compensation Requirements in Iowa		
Topic	Requirement	Legal Cite
Base Wages	Base wages must be negotiated between the school district/AEA and employee organization(s).	<i>Iowa Code 20.9</i>
Minimum Wage	The minimum wage in Iowa is \$7.25 per hour.	<i>Iowa Code 91D.1</i>
Teacher Salary Supplement (TSS)	TSS is combined with other payments to teachers to create a combined salary.	<i>Iowa Code 284.3A</i>
Health Insurance	School districts and AEAs must offer health insurance to all permanent, full time employees. Public employers may offer health insurance to other employees.	<i>Iowa Code 70A.41</i>
IPERS	School districts, AEAs and their employees must participate in the Iowa Public Employees' Retirement System (IPERS). The rates cannot be adjusted by the employer or employee.	<i>Iowa Code Chapter 97B</i>
Sick Leave	All public school employees must receive a minimum of 10 days paid sick leave in the first year of employment, 11 in the second year, 12 in the third year, 13 in the fourth year, 14 in the fifth year and 15 in the sixth and subsequent years. All unused sick leave must cumulate to a minimum of 90 days.	<i>Iowa Code 279.40</i>
Teacher Contract Requirements	Teacher contracts must be in writing, last one year, state the number of contract days, state the annual compensation to be paid and any other matters as mutually agreed upon.	<i>Iowa Code 279.13</i>
Administrator Contract Requirements	Administrator contracts must be in writing, up to two years in length (up to three years for superintendent), state the number of days the administrator is working, state the rate of compensation, include a statement that the contract is invalid if under contract with another board during the same time, and any other matters as mutually agreed upon.	<i>Iowa Code 279.23</i>

Potential Legal Issues

Even if you've included all the minimum requirements, your work is not yet done. There are other potential legal issues that board governance teams and stakeholder groups should be aware of.

Collusion is typically an issue in the business community. However, school districts and AEAs may receive complaints of collusion if two or more districts/AEAs engage in a practice of sharing or surveying wage information for the purposes of fixing wages. *Collusion* is a “secret agreement or cooperation, especially for an illegal or deceitful purpose.”¹¹ To prevent a claim of collusion, districts and AEAs can use surveys for wage information if the following conditions are met:

- The survey is managed by a third party (for example, [IASB’s Teacher Compensation and Benefits Toolkit](#));
- The information is at least three months old; and
- The information is sufficiently aggregated from more than 5 providers of information¹²;

Districts and AEAs could receive *wage discrimination* complaints if the compensation model results in employees of one sex receiving less pay than employees of the other sex. The Equal Pay Act requires that men and women are paid the same for equal work. Districts and AEAs that receive wage discrimination complaints will have to prove that some factor other than sex is the cause of the pay discrepancy.¹³

Conclusion

There is no one size fits all answer to how compensation should be structured. Various issues will affect your approach to alternative compensation. As stated earlier, modifying compensation is a sensitive and potentially political topic that can have many unintended consequences.

Board governance teams need to be able to clearly articulate the reasons for pursuing alternative compensation. Boards should work with stakeholders to research and design a compensation model. Developing an alternative compensation model is a long process and boards should not be hesitant to consult experts and legal counsel. The more thorough the compensation process is, the more likely the desired results will be achieved.

For more information on specific compensation models, consult IASB’s Compensation Models document. Contact Eric Howard, IASB HR Services Director, at ehoward@ia-sb.org or (515) 247-7050 for questions or comments regarding this information.

¹¹ “Collusion.” *Merriam-Webster*, Merriam-Webster, www.merriam-webster.com/dictionary/collusion.

¹² “Statements of Antitrust Enforcement Policy in Health Care.” *The United States Department of Justice*, www.justice.gov/atr/statements-antitrust-enforcement-policy-health-care.

¹³ “Facts About Equal Pay and Compensation Discrimination.” *Federal Laws Prohibiting Job Discrimination: Questions and Answers*, www.eeoc.gov/eeoc/publications/fs-epa.cfm.