



Association of Universities for Research in Astronomy

TO: All AURA Expatriate staff residing in Chile
FROM: Bill Smith, President, AURA
RE: New Cost of Living Adjustment (COLA) policy
DATE: November 7, 2011

Cost of living adjustments (COLA) are applied inconsistently between the two AURA Centers with operations in Chile. NOAO does provide its staff with a COLA adjustment whereas Gemini does not. AURA has decided to provide COLA benefits for all expatriate staff residing in Chile. Aside from COLA, AURA does provide a variety of benefits to our expatriate staff: relocation allowances, education benefits, home leave, and cultural and language training. Additionally, expatriate staff's income is exempt from Chilean taxes as a result of AURA's special status in Chile, and all expatriates get significant tax exemptions from their home countries as well.

AURA retained an independent consultant to conduct a study to evaluate methodologies for applying a COLA adjustment to AURA expatriate staff in Chile. Associates for International Research, Inc (AIRINC), an internationally known company that specializes in developing compensation solutions for firms with employees transferring from one location to another, examined COLA practices at not only the larger international firms but also at astronomical observatories in Chile. In addition, they conducted a detailed review of AURA's compensation strategy and other benefits provided to our expatriate staff.

Based on the findings of that study AURA has structured a new COLA policy that will apply to all AURA staff not currently receiving this benefit. The COLA index to be used compares the cost of living between the United States average and La Serena part of which is exchange rate fluctuation. AURA staff currently receiving the COLA benefit will experience no change in the method of the COLA calculation. The revised COLA, beginning January 1, 2012, will apply only to NOAO staff newly transferred to Chile, and Gemini and LSST staff.

After a careful review of many options, AURA management has decided to apply the following methodology to determine the COLA benefit to be received by each staff member.

- COLA will be applied to 65% of an employee's gross income. The 65% ratio is based on international data regarding the average percentage of gross household income spent on

goods and services and housing. These are the expenses which are most impacted by exchange rate and inflation variances.

- The Cost of living index used to determine the COLA will be adjusted for a factor which represents the tax benefit or “escaped tax” received by employees as a result of AURA’s special status in Chile. Expatriate staff does not pay taxes on the portion of income used to purchase goods and services and housing. Based on the data we have received from the consultants and our average ex-pat salaries, the escaped tax factor applied will be 25%.
- There will be an upper limit on the amount of COLA received by an employee. The COLA benefit will not exceed 10% of the employee’s base salary. No adjustments will be made which result in a decrease in base salary.

Over the coming year, AURA will examine other benefits such as home leave, storage of belongings, relocation allowance, etc. in order to establish common policies for all AURA observatories in Chile that can meet the future budget challenges.

Your human resource representative will be pleased to sit down with any staff member to explain the new policy.