

ARTICLE XXXIV: COMPENSATION

Section 1. Compensation Plan Maintenance

With proper care and maintenance of the pay plan, the frequency for a comprehensive pay plan review is minimized. The established guidelines should be followed to properly implement the compensation plan for equity amongst employees and consistency with the established pay philosophy.

As positions substantially change in responsibility, a compensation review will be conducted to ensure proper pay grade placement based on new job responsibilities. This will be initiated by the HR Director annually, coinciding with the budget process. The HR Director will work with the department managers to determine if a position has changed substantially and warrant review. Similarly, all newly created positions will be reviewed and analyzed for grade placement in the pay structure. The HR Director will partner with each department manager in creating a detailed job description and send it to Carlson Dettmann for evaluation.

Annually, in the 2nd quarter of the year, the HR Director will review the pay structure and recommend an adjustment based upon market conditions and the cost of living. Note this is separate and distinct from any employee movement within the established pay structure (steps). Adjustments to the structure itself ensure that the pay plan maintains pace with the competitive marketplace.

The City will commit to re-evaluating every position through a full benchmark study every five years; the first for the City of Manitowoc will be in 2018, with implementation of recommended changes in 2019. The impact of the full study will be minimized if the City is diligent in identifying when positions change in scope and responsibility, and having them re-evaluated at that time. By maintaining and re-evaluating the positions within the pay plan regularly, the City will maintain its competitive placement in the market.

As the City moves to a pay for performance based culture, the City needs a solid commitment to funding the performance-based pay. It is important to the success of the pay plan and overall morale of the workforce. The City needs to be committed to investing in the employees and paying appropriately, first based on the market (pay structure), and secondly based on performance (contributions to the team, evaluated through performance reviews).

Section 2. Compensation Guidelines

The guidelines below are to be followed when making wage decisions for employees. Any exceptions to these guidelines need Human Resources Director and Department Head approval and signature.

| EMPLOYEE EVENT | GUIDELINE |
|--------------------------------------|--|
| New Hire | Step 1 with ability to offer up to Step 63 based on experience, partner with HR Director and Department Head for approval above Step 1 |
| Annual Review | Step increase (2.5%) based on meeting expectations or above in performance review, note: no increase will be given if there was a promotional increase in the prior 6 months Exceptions: step increase of two steps shall be approved through the Mayor and Common Council via resolution with detailed justification for the exception. |
| Annual Review, Red Circle Employees* | Lump Sum Payments, paid in two installments (Jan & Jul) 1% of the control point of the position grade, based on meeting expectations or above in performance review |
| 90 Day Review | No step increase |
| Promotion** | The step that provides at least a 5% annual increase, or up to Step 1 of the position grade the employee is being promoted into, whichever is greater |
| Transfer*** | No step increase |
| Demotion | Decrease step to a level within the pay scale, each situation will be unique, partner with HR Director and Department Head for final approval |

*Red Circle Employees: employees whose pay is at or above the maximum of the pay scale

**Promotion: moving to a position with a higher pay grade

***Transfer: moving to a new position within the same pay grade

Please note the recommendation is to hire employees at Step 1 (and the ability to hire up to Step ~~63~~ based on experience) with a probationary period of 90 days. At the conclusion of the probationary period, a 90 day review is given, and the wage remains the same. During the annual review, the employees can move up one step based on satisfactory job performance review ratings up to the maximum of the position grade, at which time they are no longer for an increase; however, are eligible for a lump sum payment.

In order to attract qualified candidates to fill positions, the City needs to commit to the pay plan, paying appropriate wages for the position based on the market and position formula. Having a starting wage set at Step 1, ~~87.55~~% of control point, will put the City in a competitive position to attract candidates. The risk of not hiring the right candidate due to a low starting wage will cost a significant amount of money in the long run; after time and money is invested in recruitment, training, and onboarding.

All employees will follow the review cycle based upon the month they are hired.
See the chart below.

- All employees hired between September and May will receive a review and consideration for an increase on their 1st year anniversary, annually in July thereafter.
- All employees hired between June and August will receive a review and are eligible for the annual merit process in July.

Annual Review Cycle - Hired by Month

[illegible]