

PAY FOR PERFORMANCE



02/09/2014

Compensation Plan Implementation

This document was prepared by the City of Wausau's Human Resources Director, Myla Hite, at the direction of the City of Wausau's Human Resources Committee on January 12, 2015. The focus of the report is on the overall implementation of the Pay for Performance Compensation Plan and excludes details related to the performance evaluations.

Pay for Performance

COMPENSATION PLAN IMPLEMENTATION



Executive Summary

The Pay-for-Performance Compensation Philosophy and Plan was designed to ensure City of Wausau staff are paid salaries consistent with the market, transitioning away from longevity based step increases. The goal is to reward high performers to ensure the City of Wausau's success in attracting and retaining a highly competitive workforce serving the citizens of Wausau.

A total of 15 meetings discussing the Pay-for-Performance Compensation Philosophy and Plan occurred prior to approval for implementation from the Common Council; these began with the discussion to participate in a salary study with the Human Resources Committee on February 12, 2012 continuing through the 40-minute slideshow presentation made to the Common Council prior to the vote on the Resolution placed on the consent agenda at the meeting on December 10, 2013.

Salary increases were delayed until the conclusion of the employee performance evaluation process which necessitated July implementation for merit pay.

The base for the merit increases was set at 2% to mature the pay ranges for the intervening span of time (nearly 2 years) between the salary survey and the July 2014 merit pay implementation.

35% of the funds allocated were for merit above and beyond the 2% maturation of the merit wage scale.

By deferring the cost-of-living equivalent portion of the range maturation merit increases, the \$81,348 was used to cover the one-time costs of the pro-rated step increases (\$52,939) and the market adjustments (\$19,274) for employees earning less than 80% below the salary range, totaling \$72,213.

The total cost of Pay-for-Performance Program implementation was \$23,441 more than the former Longevity Based step compensation system. Of the \$23,441 additional costs, \$19,274 can be directly attributed to the adjustments made to positions that were paying less than 80% below the market rate.

The impact to the 2014 budget was \$207,584 for the Pay for Performance Plan whereas the former compensation plan would have cost \$244,729 in 2014.

The impact to the personnel cost base of the City budget for the Pay-for-Performance Plan is \$268,170 whereas the former longevity system would have increased the personnel cost base by \$244,729.

The overall personnel base cost increase to the 2015 budget and into the future for either the Longevity based or the Pay-for-Performance compensation program equates to approximately 2.5% (+/- less than a decimal).

Pay for Performance

COMPENSATION PLAN IMPLEMENTATION



Part I -- History and Overview

The City of Wausau’s Compensation philosophy is administered through Chapter 5 of the Employee Handbook approved by the Common Council (See Appendix A), through the Human Resources Committee which provides authority for compensation plan administration directly to the Human Resources Director within the budget adopted by the Common Council.

“The Compensation for general City employees, not covered by a labor contract, shall be established by the Director of Human Resources within the budget approved by the Common Council”

Chapter 5.01, City of Wausau Employee Handbook

In fulfillment of this responsibility, the (then) Human Resources Director introduced the concept of Pay-for-Performance to Human Resources Committee at the **April 9, 2012** meeting (Appendix C). This was in the aftermath of soliciting support from the Human Resources Committee to join with Marathon County to participation in a compensation study at the **February 13, 2012** (Appendix B).

meeting. Human Resources Director Loy’s efforts were to begin the process of seeking input and feedback from the Committee to obtain direction to engage a consultant study as part of the process of exploring and potentially implementing merit pay, commonly known as “pay-for-performance”. In the April meeting, the Human Resources Committee unanimously moved to pursue the study as outlined in the material and discussion and to advance to Finance Committee funding for the referenced study.

The research and process for updating the Compensation Plan to transition to a merit based system from the traditional longevity based system continued with updates being provided to the Human Resources Committee at their meetings on July 9, August 13, September 10 and October 8 (See Appendixes D-G). On November 12, 2012 (Appendix H) the Human Resources Committee discussed the Compensation Structure and Policy. At that meeting HR provided an overview of the current pay system – which would have been similar to what was presented to the Common Council later in December 2013 (See

Current Pay System

- Created in mid-90’s
- Philosophy was to pay at 5% below the market
- 11 Step system
- 26 Grades (Low to High)
 - Minimum set at 80% of market
 - Market rate at step 5
 - Maximum set at 112% of market (step 10)
- Cost of living adjustments

Appendix A-1). That philosophy rewarded longevity and recognized cost of living adjustments (COLA's). While no COLA was added to the base pay of General Government employees in 2012, 2013 brought a 2% COLA (1% in January and another in July) and in 2011 the COLA increased base pay by 1.75%. The structure included pay grades with ranges at 20% below current market rate that progressed through longevity steps of approximately 2% each that progressed ultimately to 12% above the market rate. The minutes reflect discussion on how to advance employees more quickly to market rate and whether or not 12% above market is sufficient reward to retain, motivate and reward really good employees and to be competitive with private sector employers. Alderman Oberbeck made suggestions for rewarding employees using methods other than just monetary compensation. While no action was taken at that meeting, it was evident the effort was on-going.

The Employee Handbook was also an agenda item at the meeting and HR Director Loy emphasized that it was on the agenda so any questions could be answered so the proposed Handbook could be brought back to the Committee for approval in December 2012.

The Employee Handbook was on the December 2012 agenda (See Appendix I) as were pay increases for general government employees with a 1% increase to take effect in January 2013..

At the January 2013 Human Resources Committee meeting (Appendix J), HR Director Loy provided an update on the Compensation Study, reporting that there were still some outstanding job descriptions not yet completed by Departments and state he would take action to get those back from Departments. Follow-up occurred at the February meeting (Appendix K) when HR Director Loy explained that job description revisions for the Compensation Study were nearly complete and that HR would be meeting with the Consultant the following week.

The next Human Resources Committee discussion occurred at the May 13, 2013 meeting (Appendix L) when Julia Johnson and Debra Pagel from WIPFLI made a presentation (not included – proprietary information prohibits distribution) on the Classification and Compensation Study Process Overview. This presentation outlined for Committee members how information collected for the study would be studied, reviewed and used to design the classification and compensation system. Follow-up discussion included soliciting input on what kind of philosophy the City should have to attract the best workers for top decision-making positions, and emphasized that the crucial next step is for the City to decide it's philosophy for compensating staff.

Discussion concerning shifting to a pay for performance system ensued tying compensation to performance. The understanding was WIPFLI would guide the implementation and administration of the system, supervisors would receive training and, in a separate agenda item, the Committee unanimously agreed to include all non-union employees in the Classification and Compensation Study.

Purpose of a Compensation Plan

- To ensure pay is established and administered according to fair and equitable principles
- To ensure the City is paying competitive wages consistent with its compensation philosophy
- To provide guidelines for the day-to-day administration of employee's compensation with regard to hiring and salary adjustments

During the June 2013 Human Resources Committee meeting, HR Director Loy reminded the Committee that a 1% increase has been provided for general government employees in anticipation of the Classification and Compensation Study being received and possibly implementing the new pay matrix mid-year. Since the study was not finalized, Loy recommended an additional 1% pay increase stating it was provided for within the budget. This salary increase was unanimously approved.

At the August 12, 2013 Human Resources Committee meeting (Appendix F) the next related policy discussion was on Compensation Philosophy and Base Pay Administrative Procedures. It was announced that WIPFLI would be making a presentation at the September meeting and the HR Director reviewed the proposed system with the Committee. He explained the proposed Compensation Philosophy would be documented within section 5.01 of the employee handbook (formerly titled General Provisions). The proposed changes were reviewed with specific attention brought to the last sentence of the section which states, “*Targeted levels for benefits will be positioned at or slightly above the market as derived by review of the industry and local survey data and discussion with City insurance representatives and other advisors*”. It was stressed that competitive benefits are needed to attract and retain employees. The items contained in this section of the Employee Handbook were later contained within the presentation made to Common Council in December of 2013. This full presentation is (provided at Appendix A-1)

The discussion shifted to focus on section 5.02 now with the proposed title of Base Compensation Plan Administration (formerly named Compensation Plan Administration) with the HR Director explaining how the plan would be managed and administered over time, focusing on the importance of updated job descriptions and establishing as prerequisite for salary adjustments current job descriptions and completed performance evaluations. He then outlined the salary range structure and provided an overview of how performance will be tied to pay, explaining a full report would be brought to the next meeting. The third part of the discussion outlined pay adjustments with emphasis on how both merit increases and market adjustments and how each would be handled. There was a review of the former pay scale ranging from 20% below market to up to 12% above market within an 11 year employment span. It was highlighted that the new pay scale allows employees to reach the market value more

quickly with performance evaluations determining pay increases.

Objectives of a Compensation Plan

- Internal alignment: Recognize the value each employee brings to the organization and ensure equitable pay across departmental lines
- External competitiveness: Ensure wages are comparable to similar work in organizations we compete with for employees
- Employee contributions to pay: Evaluate and determine pay relative to performance
- Administration: Increase understanding of pay administration and minimize inconsistent administration of pay
- Increase manager accountability

Included in the August 12, 2013 (Appendix N) meeting packet was a Policy Memorandum from the HR Director to the Committee and the Mayor Re: Consideration of Compensation Philosophy and Base Pay Administrative Procedures, that contained a timeline for implementation along with the proposed revisions to the Employee Handbook at Section 5.01 now entitled Compensation Philosophy and 5.02 Base Compensation Plan Administration (Appendix A-1). The

Memo requested the input of the Committee on the draft compensation philosophy and base pay administrative procedures prior to preparing the final report and recommendations for the City’s pay plan. Also documented during the August HR Committee meeting is that staff planned to finalize the proposal for the new plan and communicate it with all staff” and provided the following timelines:

Timeline	Activity
Week of August 12 th	Incorporate HR Committee recommendations and finalize the materials needed for WIPFLI to complete their report and recommendations.
Week of August 19 th	Distribute proposed salary structure changes and plan documents to City management and conduct question and answer sessions.
Week of August 26 th	Distribute proposed salary structure changes and plan documents to all City employees.
Week of September 2	Schedule question and answer sessions with City Departments
Monday, September 9	WIPFLI will present the final report and recommendations. Staff will seek a recommendation from the HR Committee on the proposed salary structure and amendments to the employee handbook to be delivered to Council.

Within the new Section 5.02 - Base Compensation Plan Administration the following items were addressed as summarized within the table:

Part	Provision
1) Job Documentation	Current job descriptions required for salary adjustments
2) Salary Range Structures	Provides for ranges that are responsive to external market and internal equity. Explains the quintiles and ranges.
3) Pay Adjustments	Provides for various types of pay adjustments based upon the newly established pay ranges to include: Market adjustments, merit increases (% adjustments tied to performance), new hires, promotional increases, job reclassification, transfer, temporary appointments, demotion, redlining and exceptions.
40 Confidentiality	Limited sharing of salary information to the specific involved employee.

At the September 9, 2013 Human Resources Committee meeting (Appendix O) consultant WIPFLI gave a presentation on the Compensation and Classification Study. Many of the concepts contained within

the WIPFLI presentation was already incorporated into the updated proposed Employee Handbook revisions to Chapter 5 sections .01 and .02 and included topics such as Job Descriptions, Conducting an internal equity, external market and comparative ratio analyses, point factor evaluation, salary structure design, developing a MERIT/COLA (cost of living adjustment) decisions worksheet, plan administration guidelines and tools and provided an opportunity for the Committee to review Chapters 5.01 and 5.02 (Provided at Appendix A), in addition to covering the Performance Management Loop and the importance of a communication plan.

In follow-up to the information presented at the meeting, on October 2, 2013 HR prepared letters to employees and managers informing them of the proposed pay ranges for each employee's position and placement under the new compensation plan and provided sealed letters to Department Heads to have distributed throughout the workforce. They also contained notices to employees telling them that any employee due a step increase in 2014 would receive a prorated dollar value paid out as a one-time lump sum in January 2014 (so it would not increase the base) AND that base pay rates will heretofore only be adjusted by the annual merit based process which is driven by performance evaluations (Notices at Appendix O). Information relayed in this memo is so important that it is cut and pasted herein:

1. If your hourly rate is below the minimum rate as of January 1st, 2014, you will be brought up to the minimum rate.
2. If you have been in your position for longer than two years as of January 1st, 2014, and you are below 96% of the Mid-point (Market) rate, then you will be brought up to 96% of the Mid-point.
3. If you are above the maximum rate, your pay rate will be red-lined, and you will be subject to the proposed red-lining practice described below. No employee will have their base rate reduced.
4. Employees who would have an additional step increase in 2014 will receive the prorated dollar value based on their step increase date. This will be paid out as a one-time lump sum in January 2014 and will not build into your base rate.
5. Effective January 1st 2014, base rates will only be adjusted by our annual merit based process. Performance evaluations will be conducted on an annual basis from May through July. Your manager will be reviewing the new evaluation and merit pay program with you during the months of October and November.

In preparation for the December 3, 2013 Human Resources Committee meeting, the HR Director prepared two separate Policy Memos on November 26, 2013. One entitled Implementation of New Pay Plan Salary Ranges recommended and requested that the adjusted merit based pay plan salary ranges be implemented as recommended, which the Committee passed unanimously. The second policy memo entitled Amendments to Chapter 5 – Compensation of the Employee Handbook proposed amending Merit Increases language to provide for multiplying the current rate of pay by the percentage increase established in the annual merit decision worksheet based on the employee's level of performance. It also proposed amending the redlining procedure so employees whose pay is above the range remain eligible to receive lump sum payments and the method for calculating lump sums. The action sought was to adopt and replace in their entirety Employee Handbook Sections 5.01 – Compensation Philosophy and 5.02 Base Compensation Administration which the Human Resources Committee passed unanimously at the December 3, 2013 meeting.

The December 3, 2013 Human Resources Committee meeting (See Appendix P) was significant in that not only was it the pre-cursor to the meeting with the full Common Council scheduled for December 10, but it was the meeting in which the materials were presented in culmination of the prior two years' work

accomplished by the Human Resources Director under what he believed was the supervision and approval of the Human Resources Committee. Administration of Compensation Plan: A shift was being made from the former decades old longevity based process to a merit based system in which performance is tied to pay. Highlights are as follows:

From	To
<u>Compensation Philosophy Change</u>	
Longevity based system	Pay tied to Performance
5% below market to 112% above market	80% of market to 120% above market
11 Step Progression at 2% step intervals based upon length of service	Increases based upon performance rating tied to goals established by manager
Near Annual across the board Cost-of-Living Increases	Salary ranges periodically matured, anyone below advanced back within the range

Cost of Living Comparable Salary Increase Administration

Mayor included proposed percentage salary increases in the budget.	Mayor included proposed salary increases in the budget.
Common Council Adopted the budget.	Council Adopted the budget.
HR sought from Human Resources Committee permission to award increases	HR Authorized to develop pay matrix within funds allocated by Council and administer performance based increases.
Increases awarded – often in January, sometimes delayed to later in the year.	

Step Salary Increase Administration

Mayor included funds to cover the expense of longevity based step increases in the budget.	Mayor included funds to cover the expense of longevity based step increases in the budget.
Common Council Adopted the budget.	Common Council Adopted the budget.
Employees accrued 2% longevity based increase on anniversary date	Employees accrued 2% longevity based increase on anniversary date

Pay for Performance Increase Administration

Performance Goals Set by Manager at beginning of performance cycle (April – June)

HR Develops Pay Matrix within Budgetary parameters adopted by Common Council.

Performance Measured and Rated

Performance based increases awarded in July

HResources Director kicked off the December 3, 2013 Wage Study Results and Process Review by asking if there were any additional questions on the document or the process. The minutes indicate the Committee was satisfied with the previous discussion of the topic and had no further discussion.

Example Annual Merit Increase Considerations					
LEVEL OF PERFORMANCE	QUINTILES				
	1 st (80-87%)	2 nd (88-95%)	3 rd (96-104%)	4 th (105-112%)	5 th (113-120%)
Exceptional Performance	4.0%	3.5%	3.0%	2.5%	2.0%
Proficient Performance	3.5%	3.0%	2.5%	2.0%	1.5%
Marginal Performance	0.0%	0.0%	0.0%	0.0%	0.0%

The discussion then moved to the proposed Amendments to Chapter 5 – Compensation of the Employee Handbook which was a complete revision. The initial discussion centered around how a merit increase would be calculated. The HR Director was proposing a change and his discussion of the change would have involved the use of the Example Annual Merit Increase Considerations Chart contained within the Employee Handbook Section 5.02 as it was being proposed (see above chart and Appendix A).

Discussion involved the following formula:

Merit Increase Calculation

Current Rate of Pay	+	Quintile Identification	x	Percentage Increase from Annual Merit Increase Decision Worksheet as determined by performance level	=	New rate of Pay
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While not detailed within the minutes, to make sense the discussion would have included a sample employee current rate of pay, determining if it fell within quintile 1-5th as contained within the table, and whether the employee was determined to be a Marginal, Proficient or Exceptional performer. Has the employees base rate fallen within the 2nd quintile and the employee was a marginal employer, the increase would have been nothing (0%) Had the employee within the example been a proficient performer with a salary falling within the 2nd quintile, the employee would have received a 3% increase.

The Committee had no questions regarding this change.

The second proposed change to the new Compensation chapter as discussed at the meeting involved redlining. The initial proposal stated that any employee whose salary is above the maximum pay rate in the grade established for their job would have their pay rate frozen until market adjustments brought their current salary within the established ranges. The proposed change presented at the meeting would allow for a lump sum payment of the portion of any pay increase that exceeds the salary range maximum. The lump sum payment calculation would provide for an incentive to those employees without compounding the problem of inflating the base salary. This calculation would be reflected as follows:

Redlined Employee Lump Sum Payment Calculation

Hourly Rate of Pay x in excess of the range maximum	Annual work hours (generally 2080)	= Lump Sum Payment
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After discussion, the amendments to the Compensation Chapter of the Employee Handbook as proposed were unanimously passed by the Committee.

Salary Ranges

The last item detailed by Human Resources Director Loy was the implementation of the New Pay Plan Salary Ranges. The Committee reviewed the steps taken to create the new pay plan salary ranges and centered around the employee questions and concerns and survey responses. Loy detailed the process used for review and outlined the appeals process. Committee discussion included the members stating that the role of the Committee was oversight and the focus should be on approving implementation, not the specifics of the plan. The Committee discussion was also clear that it was the Human Resources

	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
GRADE	(80-88%)	(88-96%)	(96-105%)	(105-113%)	(113-120%)	(120-140%)
1	40.00	44.00	48.00	52.50	56.50	60.00
2	37.20	40.92	44.64	48.83	52.55	55.80
3	34.60	38.06	41.52	45.41	48.87	51.89
4	32.17	35.39	38.61	42.23	45.45	48.26
5	29.92	32.91	35.91	39.27	42.26	44.88
6	27.83	30.61	33.39	36.52	39.31	41.74
7	25.88	28.47	31.06	33.97	36.55	38.82
8	24.07	26.47	28.88	31.59	34.00	36.10
9	22.38	24.62	26.86	29.38	31.62	33.58
10	20.82	22.90	24.98	27.32	29.40	31.22
11	19.36	21.30	23.23	25.41	27.34	29.04
12	18.00	19.80	21.61	23.63	25.43	27.01
13	16.74	18.42	20.09	21.98	23.65	25.12
14	15.57	17.13	18.69	20.44	22.00	23.36
15	14.48	15.93	17.38	19.01	20.46	21.72
16	13.47	14.81	16.16	17.68	19.02	20.20
17	12.53	13.78	15.03	16.44	17.69	18.79
18	11.65	12.81	13.98	15.29	16.45	17.47
19	10.83	11.92	13.00	14.22	15.30	16.25
20	10.07	11.08	12.09	13.22	14.23	15.11

Department’s responsibility to take care of placement decisions within the structure and the appeals

process and that it would not be a role of the Human Resources Committee. The HR Committee unanimously adopted the salary ranges as amended by the HR Director, which are those still being implemented today as detailed in the Salary Ranges chart.

On November 27, 2013 (see [Appendix S](#)) the Human Resources Department forwarded the Resolution to the City Council to Implement the New Pay Plan for General City Employee by Adoption of the Amended Compensation Philosophy, Base Pay Plan Administration Procedures and New Salary Grade Structure in preparation for the presentation the Human Resources Director was scheduled to make at the open, public meeting on December 10, 2013 (See Appendix A-1).

The Human Resources Director gave a 40-minutes presentation, augmented by PowerPoint slides, on the Implementation of the Wage Study and New Pay Plan before the Common Council on December 10, 2013. The actual resolution was later voted on as part of the consent agenda which passed unanimously.

In follow-up, the Human Resources Director proceeded with implementation based upon his belief that over the course of 2 years he had performed due diligence in developing a merit based system and had obtained proper authority from the Common Council.

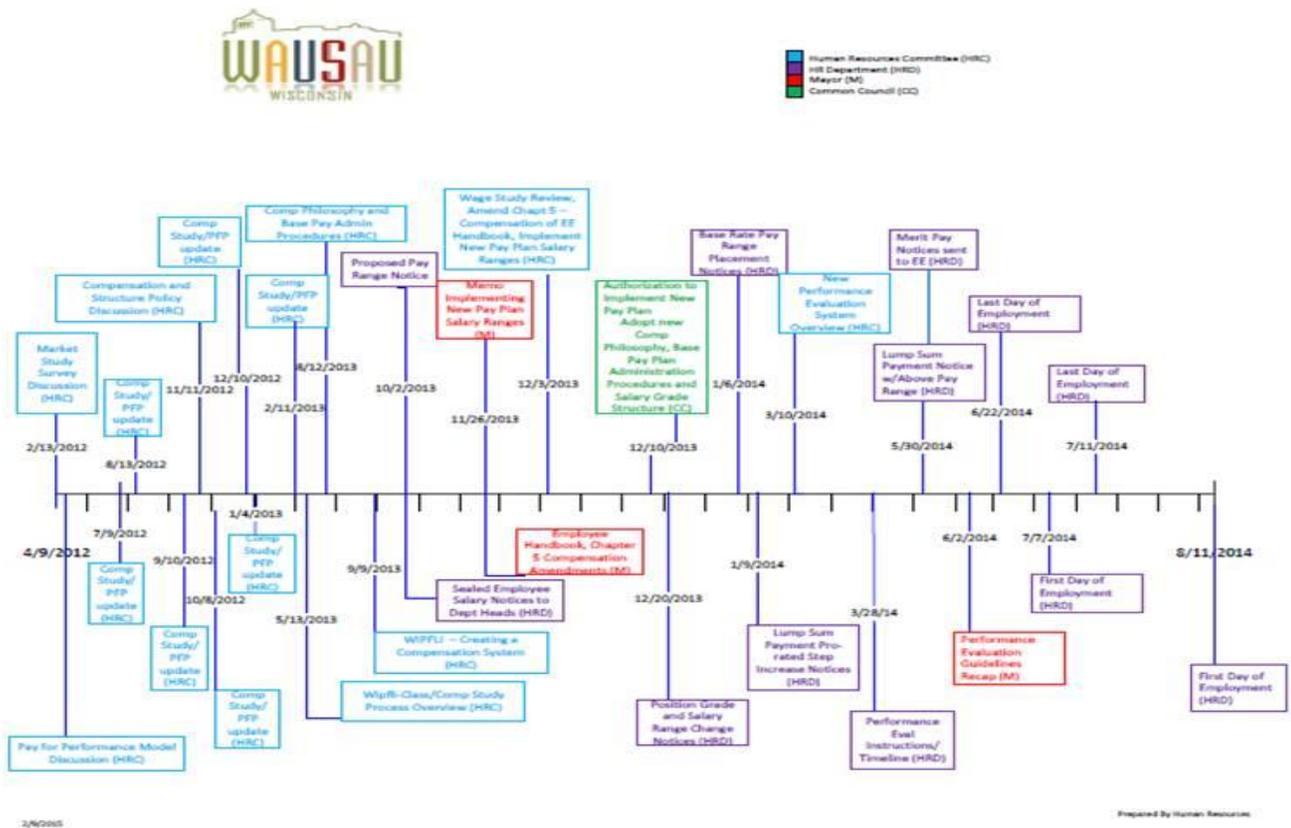
He also facilitated the redesigned performance evaluation system to include training supervisory and managerial staff along with employee as well as developing the aforementioned merit pay increase worksheet and merit increases prior to his departure from the City of Wausau in June of 2014.

Pay for Performance

COMPENSATION PLAN IMPLEMENTATION

Part II – Implementation and the Financials

As previously stated, the former City of Wausau Human Resources Director embarked upon a nearly two year long process of developing and implementing a merit based compensation philosophy and system that culminated with the approval of Common Council received on December 10, 2013 which afforded the HR Director to establish compensation for general City employees in positions not covered by a labor contract within the budget approved by Common Council.



On December 30, 2013 the HR Director sent out a memo to affected employees in follow-up to the October 2013 communication, informing them that the Common Council approved the proposed Compensation Pay for Performance plan at the December 10, 2014 meeting, told them where their position fell within the established pay ranges and informed that future increases will be based on individual performance.

Pay for Performance

The 2014 budget included funds to implement a 2% cost-of-living allowance and to fund the 2% longevity step increases due to eligible employees. Working within that scope, the HR Director took two immediate actions in January 2014, as documented in the master “New Rate of Pay 1-1-14” and Lump Sum Master Letter to employees.

The first action taken was to correct those employees being paid “below the range” and to correct internal equity misalignment by conferring the Market Increases depicted within the chart below which amounted to an annual increase in the payroll for general City employees not represented by a labor agreement in the amount of \$19,274.00.

Market Study and Internal Alignment									
12 Employees Received Market Increases 1-1-2014									
Quintile	2.34%	2.44%	2.47%	4.13%	4.69%	4.92%	4.93%	4.97%	7.18%
1					2	1	1	1	
2									
3	1	2	2	1					1
4									

The actions were documented in a letter to employees dated January 6, 2014 provided at [Appendix T](#).

The next step was to award prorated lump sum payments to employees who would have had a step increase in 2014 (longevity based). The letter dated January 9, 2014 ([also included at Appendix T](#)) notified employees the lump sum payment would be on their January 24, 2014 payroll check and that the amount paid would not be built into the employee’s base rate. This action affected 69 employees and cost the City \$52,939.32. This one time lump sum payment differed from past longevity step increases in that it did not add to the base compensation structure of the City. In the past longevity step increases added to an employee’s base salary.

From this point forward, implementation focused upon training staff on the Performance Appraisal Cycle, coaching supervisors in completing performance evaluations and preparing for performance based merit increases within the budget adopted by the City Council.

In this process, the HR Director developed a new compensation matrix similar to the one provided in the example within Chapter 5 of the Employee Handbook. Two challenges faced by the Director included where to place on the matrix those employees with salaries about 120% of market and how to mature the quintiles given that the salary study had aged by nearly two years at the time the pay increases would actually be conferred. To account for these two facts, the HR Director added a 6th quintile to account for salaries above 120% and added to the matrix 2% as a minimum for anyone performing at acceptable levels to account for the time lapse between salary study and implementation. The implementation matrix developed is provided as follows:

Merit Decisions Worksheet for 2014

P = Proportion in performance rating category
 C = Proportion in position-in-range category as a result of the comparative ratio analysis
 G = Guideline percent increase

Performance Matrix Calculation Model

2014 Budget

		Position-in-Range (Quintiles)					
		1st (80-87%)	2nd (88-95%)	3rd (96-104%)	4th (105-112%)	5th (113-120%)	6th (>120%)
Performance Rating		0.10	0.09	0.37	0.26	0.18	0.05
Exceeds Expectations	0.15	6.0	5.5	5.0	4.0	3.5	3.5
		0.087	0.074	0.279	0.158	0.094	0.028
Meets Expectations	0.85	4.0	3.5	3.0	2.5	2.0	2.0
		0.327	0.267	0.948	0.558	0.305	0.091
Below Expectations	0.00	0.0	0.0	0.0	0.0	0.0	0.0
		0.000	0.000	0.000	0.000	0.000	0.000
1.0							
<i>Cell totals:</i>		0.413	0.341	1.227	0.716	0.399	

To understand how this worksheet works, one must refer back to the December 2013 Human Resources Committee meeting. Consider an employee at Range 2, Step 18 on the Salary Structure (See Page 8). According to the salary range, the employee’s hourly rate would be set somewhere between 88%-96% of the range. For this example, let’s assume it is \$12.81per hour.

Current Rate of Pay +	Quintile Identification x	Percentage Increase from Annual Merit Increase Decision Worksheet as determined by performance level	= New rate of Pay
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This employee is then in the 2nd quintile of the Performance Matrix. If performing at expectations, the employee would be eligible for a 3.5% increase, broken down as follows: 2% increase as a result of performing at acceptable levels with the maturation of the salary ranges due to the 2 year lapse in time along with an additional 1.5% based upon merit.

Pay for Performance

Using this criterion, employees were evaluated and received pay increases as detailed in the chart as follows:

$$\$12.81 * 3.5\% = .448 + \$12.81 = 13.26$$

% Increase City Wide Non-Represented Employees 7.06.14¹

Using this methodology, 164 employees were awarded merit increases using the Merit Decisions Worksheet consistent with the data contained within the “% increase City Wide Non-Represented Employees” table that was implemented on July 6, with some minor revisions made in August due to some minor arithmetic errors.

Quantiles	0%	2%	2.50%	3%	3.50%	4%	4.50%	5%	5.50%	6%	
1						14				1	15
2					7				2		9
3				52				11			63
4	1		36			4					41
5		26			2						28
6		7			1						8
	1	33	36	52	10	18		11	2	1	164

In contrast, had the City simply proceeded with implementing the former longevity based step system, all City employees not represented by a collective bargaining agreement would have received the budgeted 2% step increase along with 63 with fewer than 11 years tenure receiving an additional 2% anniversary date step increase.

The end result is the City of Wausau was successful in achieving the stated goal within the timelines

originally anticipated, e.g. July 2014. The City’s new pay plan achieved the following:

Purpose of a Compensation Plan

- To ensure pay is established and administered according to fair and equitable principles
- To ensure the City is paying competitive wages consistent with its compensation philosophy
- To provide guidelines for the day-to-day administration of employee’s compensation with regard to hiring and salary adjustments

Incorporated market data into new pay ranges;

Provided a point factor analysis system to ensure internal alignment and equity;

Set salaries within market ranges consistent with the newly adopted Compensation Philosophy;

Incentivized keeping job descriptions current along with the timely completion of performance evaluations.

Evaluated and determined pay relative to

performance.

¹ Differences in numbers over 160 are the result of version control and dates data was input. This chart was prepared in July 2014.

Increased manager accountability.

Once implementation approval was obtained, Human Resources continued through the Spring of 2014 to keep the Human Resources Committee apprised of progress being made and steps towards implementation. The March 10, 2014 Human Resources Committee meeting ([Appendix U](#)) included an overview of the City’s New Performance evaluation System and included the Merit Based Decisions Worksheet ([See Page 13 of this report and Appendix U](#)). It also included an Annual Timetable for Implementation which detailed the following:

Overview of City’s New Performance Evaluation System

Outcomes of the New Evaluation System

1. All employees will have an evaluation completed every year.
2. Pay increases will be based on performance (except bargaining units)
3. All employees will set and be held accountable for development and organizational goals.
4. System will be conduit for succession planning activities.

Five Priorities in our Performance Evaluation Process

1. To provide an opportunity to clarify job duties, performance expectations, and goals.
2. To summarize past performance discussions.
3. To provide a blueprint for future performance.
4. Identify employees with potential for advancement.
5. Provide a fair basis for awarding compensation based on merit.

Annual Timetable

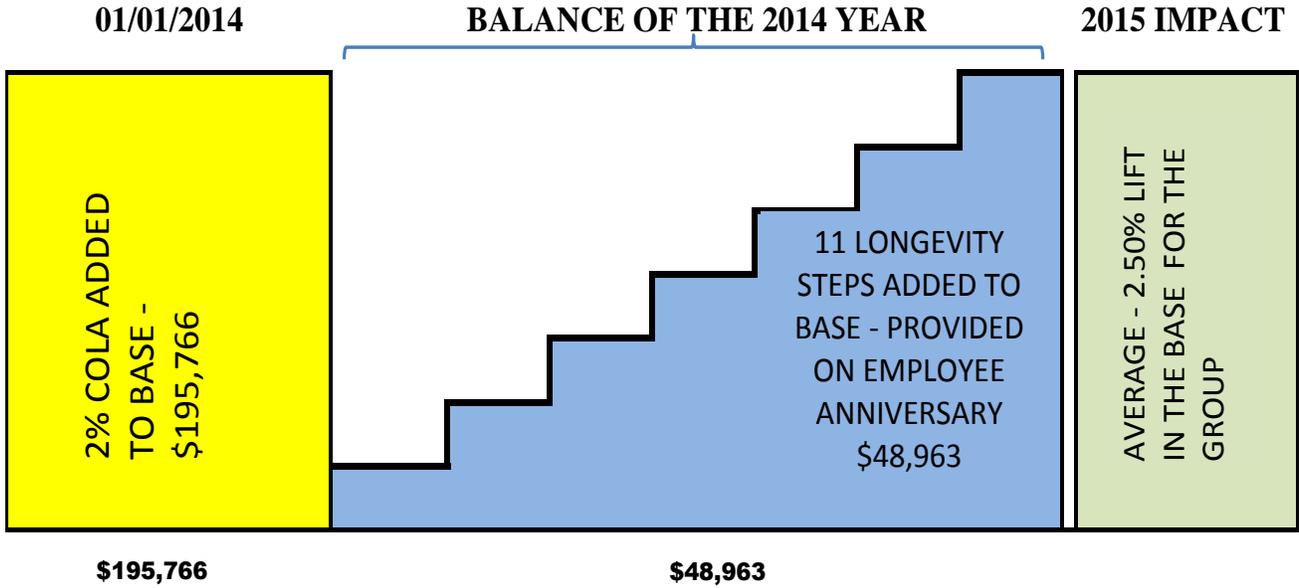
Task	Deadline
Training for employees and management	March 13 th & 14 th
Self-evaluations and copy of current job description sent to all Employees	April 1 st
Self-Evaluation and Self-Evaluation Form Completed and Returned to the Rate	April 14 th
Draft Evaluation Completed and Approved by Department Head – Sent to Human Resources	May 9 th
Human Resources Releases Final Evaluations and Pay Increases to Raters	May 30 th
Evaluation Meetings Begin	June 1 st
Evaluation Meetings End	June 30 th
Merit Pay Applied	2 nd Pay Period of July

Organization of the Performance Evaluations

1. Mandatory Review of Job Description
2. Core Values
3. Competency Evaluation
4. Performance Factors
5. Prior Year’s Performance Goals
6. Performance Goals for the Upcoming Year
7. Personal Career/Development Goals
8. Overall Ratings
9. Comments
10. Signatures

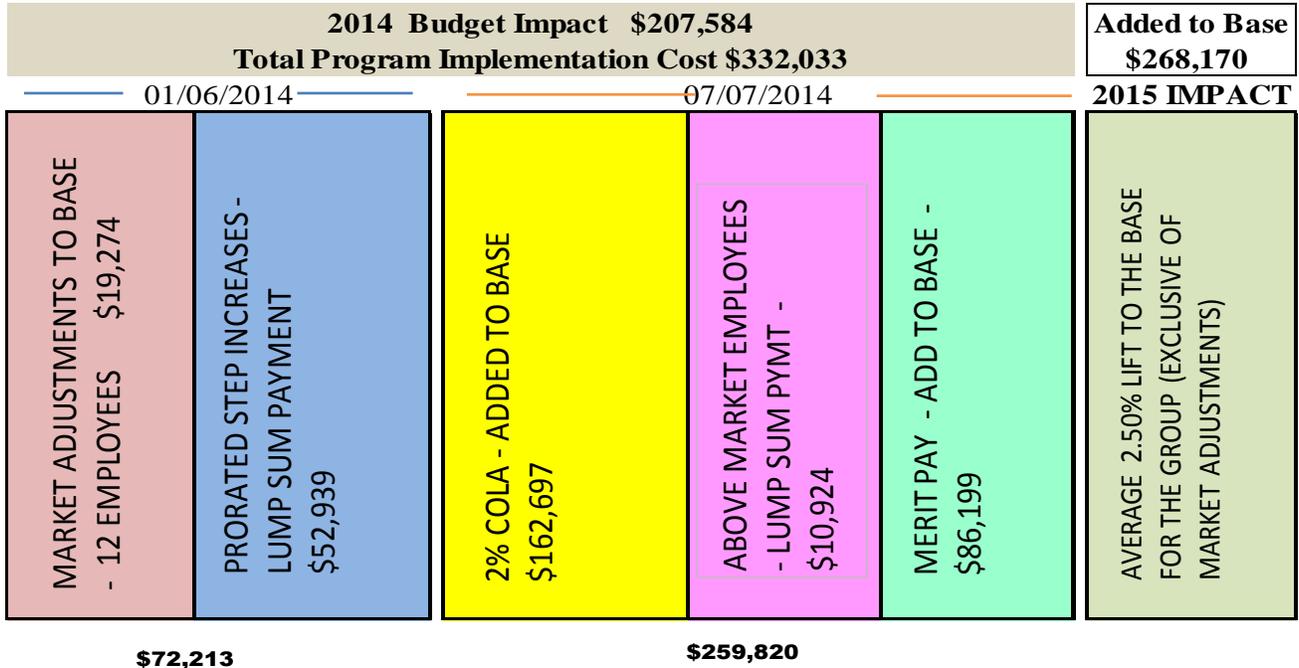
OLD COLA AND LONGEVITY STEP SYSTEM

TOTAL COST \$244,729



Had the City of Wausau not implemented a new pay plan and continued with performance based pay, the total monies as budgeted in 2014 that would have been spent totals \$244,729.00. Typically, any employee with less than 11 years services would have received a 4% pay increase, e.g. 2% cost of living plus 2% longevity step increase awarded on the anniversary date. 100% of the money for the Longevity Step pay plan would have added to the base. With the implementation of pay-for-performance, the total 2014 budgetary impact was \$207,584 with a total added to the base of \$268,170. Implementing the Pay-for-Performance compensation plan resulted in an increase of \$23,441 being added to the base, \$19,274 of which brought salaries of employees earning less than 80% of market within market range.

PAY FOR PERFORMANCE PLAN



Financial Impact

Appendix A – Chapter 5.01 and 5.02 -- Compensation, Employee Handbook

5.01 – General Provisions

The compensation for general City employees in an allocated position not covered by a labor contract shall be established by the Director of Human Resources within the budget approved by the Common Council.

Where applicable, overtime, compensatory time, call-in pay, shift differential and court appearances for Police Lieutenants shall be paid in accordance with the provisions of the collective bargaining agreement between the City of Wausau and the Wausau Professional Police Association.

We believe that it is in the best interest of the City of Wausau, our employees, and the community in which we serve, to competitively and fairly compensate employees for their work. The compensation for general City employees in an allocated position not covered by a labor contract will be established by the Human Resources Director within the budget approved by the Common Council.

The City's compensation philosophy is to maintain position classifications and compensation levels that are internally consistent and responsive to changes in local economic conditions and strategic priorities. The City's compensation priorities include:

- (1) **Internal alignment:** Employee's jobs and skills will be compared in terms of their relative contributions to the City's objectives. Pay rates both for employees doing equal work and those doing dissimilar work will continually be evaluated.
- (2) **External competitiveness:** To be an effective organization the City must attract and retain high caliber employees while at the same time controlling labor costs to ensure living in Wausau provides value to our citizens. The City will gauge our compensation against both private and public markets to ensure that we are capable of employing a quality work force at market costs.
- (3) **Employee contributions to pay:** Employee contributions to pay refer to the relative emphasis placed on performance. The City will evaluate employee performance and determine whether one employee should be paid differently from another depending on relative performance.
- (4) **Administration:** The City will continually evaluate our compensation plan and pay model to determine that we are meeting our strategic goals with our human resources. This review will focus on whether we are attracting and retaining skilled workers, perceived fairness and understanding of the pay plan, and how our labor costs compare to the overall labor market.

Our total compensation system is comprised of both Base Compensation and Employee Benefits. Our compensation system will be objective and non-discriminatory in theory, application, and practice. Base compensation is designed to provide competitive and fair compensation to employees for fulfilling the full scope of responsibilities and accountabilities as outlined in our job descriptions. Base compensation salary ranges for each position are established by researching industry and local salary survey data. Base compensation levels within the established range for the position are determined on the basis of an employee's ability to execute the full responsibilities of the position at an acceptable proficiency level. Generally, the City will administer base compensation to reflect our pay-for-performance culture.

City employee benefits will be reviewed on an annual basis to ensure they remain competitive within the marketplace and reflect those benefits valued by our employees. Targeted levels for benefits will be positioned at or slightly above the market median as derived by review of industry and local survey data and discussion with City insurance representatives and other advisors.

5.02 – Compensation Plan Administration

- (1) **Job Documentation:** Job documentation refers to the collection and maintenance of job content information. Formal job descriptions are used to describe duties and responsibilities required for each job at the City. The description

focuses on the job, not the employee assigned to the job. Appraisal of the employee's performance is treated as a separate issue.

City job descriptions generally contain the following information: job title; reporting relationships; exemption status; purpose; essential duties and responsibilities; additional duties and responsibilities; job requirements; performance specifications; and work environment conditions. A copy of the approved job description is available for each employee on the City's website, through their manager, or the Human Resources Director. A job description is used to describe every job. It is intended to document the minimum requirements of the job as it exists at the present time. The formal job description is used as the basis for assigning a pay range. Accurate and complete job descriptions will be prepared and maintained.

Salary adjustments for current employees or hiring rates for new employees are authorized only with a current job description.

Current job documentation is the responsibility of the Human Resources Director in coordination with department managers. The Human Resources Director is responsible for ensuring the consistency and accuracy of the information and keeping formal copies and background information on file for all jobs. The Human Resources Director is also responsible for writing new and revised job descriptions and determining the salary range for new or changed jobs.

If a manager wants to hire for a new job, a position description questionnaire must be completed listing the minimum requirements and responsibilities for the job. A job description will then be developed and a pay grade and salary range assigned to the job.

As a job changes, a revised job description may be needed. Managers are required to review job descriptions with their employees on an annual basis in conjunction with the performance appraisal process. If changes are minor, the manager and employee should note the changes on the current job description and forward it to the Human Resources Director. The Human Resources Director will make the changes and prepare and distribute an official revised description.

If a job becomes vacant, the manager is required to review the current job description to determine if there should be any changes prior to the position being posted. Revisions should be made before any action is taken to fill the position.

- (2) Salary Range Structures:** The City is committed to providing a salary range structure that is responsive to the external market and is internally equitable. Data will be collected and analyzed on a regular basis to determine market movement of jobs and current salary trends.

Job pricing is the process of matching our jobs at the City to jobs of the external market. Pay grades are determined through a process of evaluating jobs based upon internal and external conditions and grouping similarly valued jobs together (job groups). The market value for jobs within a job group is used as a factor when computing the pay for the salary range structure.

The salary range structure consists of a series of overlapping salary ranges. Each salary range has a minimum, midpoint, and maximum salary amount. To reflect the City of Wausau's pay for performance philosophy, the minimum and maximum of each pay grade will be within 20% of the midpoint. The City of Wausau will review the Consumer Price Index for All Urban Consumers (CPI-U) data as well as data from local and national compensation surveys in order to maintain competitive salary ranges.

Each salary range is identified through a minimum, midpoint, and maximum salary amount.

- (a) Minimum** –The lowest amount the City will pay an individual for a job assigned to the salary range.
- (b) Minimum to midpoint area (the first and second quintiles)** – Is intended for employees who:
 - Are continuing to learn job responsibilities while meeting performance standards.
 - Are fully trained but perform at a level that is less than proficient.
 - Have not acquired sufficient time in the job to warrant pay at the midpoint level.
- (c) Midpoint area (the third quintile)** – Intended to represent the salary level for employees who are fully qualified

and performing at a proficient level over a period of time (the direct midpoint of the range is intended to reflect the market rate).

- (d) **Midpoint area to maximum (the fourth and fifth quintiles)** – Intended for employees whose performance is continuously excellent or outstanding and exceeds performance objectives over a period of time.

The Human Resources Director will conduct a comparative ratio analysis on an annual basis to determine where each employee’s pay falls relative to his or her current salary range. As a policy, the Common Council requires the overall pay plan to maintain a comparative ratio analysis within the third quintile.

The Human Resources Director is responsible for gathering, analyzing, and recommending changes to the salary range structure based on market data and salary trend information. Final approval of these recommendations will be made by the Common Council. A full review of market data for all City jobs will be conducted approximately once every five (5) years. The Human Resources Director will review market data and develop a comparison of market data to current midpoints and current pay practices.

- (3) **Pay Adjustments:** A pay adjustment occurs when the City adjusts an employee’s rate of pay to fall within the parameters of established pay ranges. These adjustments may occur for various reasons. To ensure credibility and achievement of City objectives, an effective pay adjustment system must be developed and maintained with guidelines and procedures communicated to users on a timely basis. The guidelines and procedures of the base compensation plan are intended to ensure that each employee will be rewarded on the basis of demonstrated performance.

Department managers are responsible for initiating appropriate pay adjustments for their employees through the performance management system with the oversight of the Human Resources Director. Managers will communicate all approved pay adjustments to employees.

- (a) **Market Adjustments:** Market rates (mid-points of salary ranges) are the rate of pay with which the City compares itself in local, regional or even national markets for our jobs. When necessary and appropriate, salary adjustments not related to performance, but intended to correct market or equity disparities may be proposed for individual jobs, groups of jobs, or the overall pay plan to maintain the City’s relative position to the market. All market adjustments will be approved by the Common Council.
- (b) **Merit Increases:** Merit increases are intended to ensure that performance is recognized and that equity is achieved and maintained. The Human Resources Director will review market conditions and trends to recommend a merit increase budget on an annual basis that will be approved by the Common Council. Recommendations for individual merit increases will be determined by Department Directors within the budget provided and should be on the basis of performance. Merit increases are not permitted if the increase would move the compensation of an employee past the maximum established for the salary range. A merit increase is applied by taking the employee’s current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the current rate by the percentage increase established in the annual merit increase decision worksheet based on the employee’s level of performance. The following table is an example of an annual merit increase decision worksheet. The merit increase worksheet will be determined within the budget approved by the Common Council, employee performance, and both overall and individual comparative ratio analysis on an annual basis.

Example Annual Merit Increase Considerations

LEVEL OF PERFORMANCE	QUINTILES				
	1 st (80-87%)	2 nd (88-95%)	3 rd (96-104%)	4 th (105-112%)	5 th (113-120%)
Exceptional Performance	4.0%	3.5%	3.0%	2.5%	2.0%
Proficient Performance	3.5%	3.0%	2.5%	2.0%	1.5%

Marginal Performance	0.0%	0.0%	0.0%	0.0%	0.0%
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- (c) **New Hires:** The hiring rate is normally the minimum of the salary range for entry-level individuals. If an individual with prior experience is hired, the hiring rate should reflect the level of experience the individual brings to the City. The proposed rate should not create inequities with current staff. The proposed hiring rate will be determined and approved by the Human Resources Director. Any hiring rate that exceeds the market rate (mid-point) for a position must be presented to and approved by the Mayor.
 - (d) **Promotional Increases:** Promotional increases are provided to recognize an increase in the scope and responsibility of a job and should be given at the time the new responsibilities are assumed. The amount of the increase should be consistent with the objectives of the base compensation plan, take into consideration the employee's pay level prior to the promotion, and internal equity issues.
 - (e) **Job Reclassification:** As the organization continues to grow, jobs and responsibilities will evolve and change over time. Therefore, as job descriptions change, they will be evaluated to determine if the job needs to be reclassified into a different pay grade. The Human Resources Director will have the responsibility to recommend the reclassification of positions. All position reclassification requests will require submission of a position description questionnaire, internal equity analysis, and relevant market data prior to consideration. Employees can make reclassification requests to their respective Department Head who will request that Human Resources aid in the analysis and collection of market data. Reclassification requests can be made beginning the first working day in April and all requests must be submitted to Human Resources no later than the last working day in June. All reclassification requests will be evaluated thereafter and subject to the approval by the Human Resources Director within the compensation plan's administrative guidelines and philosophy.
 - (f) **Transfer:** A transfer is the reassignment of an employee from one job to another job in the same pay grade and salary range which normally does not involve a change in pay. Lateral transfers provide employees with the opportunity to acquire new work experience and provide exposure to a different work environment.
 - (g) **Temporary Appointments:** Employees temporarily appointed to positions of a higher classification may be eligible for a pay increase during the temporary appointment period. The Human Resources Director will take into consideration the employee's pay level at the time of the appointment, change in scope of duties and responsibilities, duration of the appointment, internal equity issues, and other factors when making the compensation determination.
 - (h) **Demotion:** A demotion is the reassignment of an employee from one job to another job in a lower pay grade and salary range with a resulting decrease in the scope and responsibility. Demotions may occur for unsatisfactory job performance, in response to an employee request, and for various organizational reasons. The determination of whether the employee should have their pay reduced will be based on the current pay level of the employee relative to the salary range as well as internal equity considerations.
 - (i) **Redlining:** Employees whose salary is determined to be above the maximum pay rate in the pay grade established for their job will have their pay rates redlined until such time that the market adjustments bring their current salary within established salary ranges. The redlining procedure does not allow for an employee's base rate to be adjusted above the salary range maximum rate. Once adjusted to the maximum salary rate, employees remain eligible to receive any portion of any pay increase that exceeds the salary range maximum rate as a lump sum payment to be paid at the time of the adjustment. The lump sum payment will be calculated by taking the hourly rate that exceeds the salary range maximum rate and multiplying it by the annual hours for the position (usually 2,080 hours). Before an employee is redlined they must be notified in writing prior to and given adequate time to appeal the decision to the Human Resources Director.
 - (j) **Exceptions:** In order to make the base compensation plan an effective management tool, exceptions from to base compensation administration guidelines may be considered when extenuating circumstance exist. Exceptions to policy should be discussed with the Human Resources Director prior to the preparation of any recommendation. Exceptions must be reviewed and approved by the Human Resources Director.
- (4) **Confidentiality:** The City will treat all pay and salary range information confidentially. As a general rule, City will not discuss individual compensation information with other employees unless extenuating circumstances exist. When discussing compensation with an employee, we will remain focused on that employee's specific pay situation.

Employees will be provided their individual pay and salary range only. If an employee is considering a job change to a vacant position, the salary range information will be discussed at that time. City of Wausau compensation data is public record. Therefore, any party wishing to acquire specific compensation information may be entitled to receive it provided they make the request in the appropriate manner.

Appendix A-1 – Human Resources Slide Presentation to Common Council, 12/10/2013

Wage Study and New Pay Plan

Wausau Common Council
December 10th, 2013

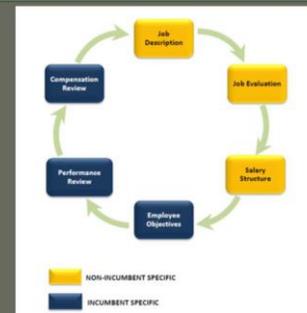
Objectives of a Compensation Plan

- **Internal alignment:** Recognize the value each employee brings to the organization and ensure equitable pay across departmental lines
- **External competitiveness:** Ensure wages are comparable to similar work in organizations we compete with for employees
- **Employee contributions to pay:** Evaluate and determine pay relative to performance
- **Administration:** Increase understanding of pay administration and minimize inconsistent administration of pay
- Increase manager accountability

Brief History

- AFSCME 1287
- AFSCME 1287(CH)
- Non-represented Employees
- Initial transition from contract pay plans to current pay system
- Engaged WIPFLI to conduct wage comparability study and help develop new compensation system

Performance Management Loop and Process Overview



Current Pay System

- Created in mid-90's
- Philosophy was to pay at 5% below the market
- 11 Step system
- 26 Grades (Low to High)
 - Minimum set at 80% of market
 - Market rate at step 5
 - Maximum set at 112% of market (step 10)
- Cost of living adjustments

THE MARKET

- How do we match up with the "Market"?
- Market Data
 - Carlson-Dettman Central Wisconsin Custom Survey
 - Aspirus, Marshfield Clinic, North Central Health Care Center, Northcentral Technical College, Sentry Insurance
 - Economic Research Institute
 - Towers Watson Surveys
 - Compdata
 - Non-Profit Times
 - CWSHRM
 - Occupational Employment Statistics

Purpose of a Compensation Plan

- To ensure pay is established and administered according to fair and equitable principles
- To ensure the City is paying competitive wages consistent with its compensation philosophy
- To provide guidelines for the day-to-day administration of employee's compensation with regard to hiring and salary adjustments

New Salary Structure

GRADE	Minimum	Annual Midpoint	Maximum	GRADE	1st (90-88%)	2nd (92-96%)	3rd (98-105%)	4th (110-113%)	5th (115-120%)	Max
1	\$63,300	\$104,000	\$134,300	1	\$63,300	\$91,580	\$99,840	\$108,160	\$117,580	\$124,800
2	\$77,376	\$96,720	\$116,064	2	\$77,376	\$95,114	\$98,351	\$100,589	\$109,294	\$116,064
3	\$71,960	\$89,450	\$107,940	3	\$71,960	\$79,196	\$85,359	\$90,949	\$101,644	\$107,940
4	\$66,922	\$53,653	\$100,304	4	\$66,922	\$73,615	\$80,307	\$86,999	\$94,288	\$100,304
5	\$62,238	\$77,797	\$93,356	5	\$62,238	\$68,461	\$74,685	\$80,909	\$87,011	\$93,306
6	\$57,882	\$72,352	\$86,932	6	\$57,882	\$63,670	\$69,450	\$75,246	\$81,730	\$86,932
7	\$53,830	\$67,287	\$80,744	7	\$53,830	\$59,215	\$64,596	\$69,976	\$76,034	\$80,744
8	\$50,062	\$62,577	\$75,092	8	\$50,062	\$55,068	\$60,074	\$65,080	\$70,712	\$75,092
9	\$46,558	\$58,197	\$69,836	9	\$46,558	\$51,213	\$55,869	\$60,525	\$65,783	\$69,836
10	\$43,286	\$54,123	\$64,948	10	\$43,286	\$47,638	\$51,958	\$56,280	\$61,159	\$64,948
11	\$40,287	\$50,334	\$60,401	11	\$40,287	\$44,294	\$48,381	\$52,247	\$56,977	\$60,401
12	\$37,449	\$46,811	\$56,173	12	\$37,449	\$41,194	\$44,939	\$48,683	\$52,896	\$56,173
13	\$34,827	\$43,534	\$52,841	13	\$34,827	\$38,310	\$41,793	\$45,275	\$49,193	\$52,841
14	\$32,390	\$40,407	\$49,554	14	\$32,390	\$35,639	\$38,988	\$42,106	\$45,750	\$49,554
15	\$30,122	\$37,653	\$45,184	15	\$30,122	\$33,135	\$36,147	\$39,159	\$42,945	\$45,184
16	\$28,014	\$35,017	\$42,080	16	\$28,014	\$30,815	\$33,616	\$36,418	\$39,969	\$42,080
17	\$26,053	\$32,566	\$39,079	17	\$26,053	\$28,658	\$31,283	\$33,869	\$36,000	\$39,079
18	\$24,229	\$30,266	\$36,343	18	\$24,229	\$26,658	\$29,075	\$31,497	\$34,223	\$36,343
19	\$22,533	\$28,166	\$33,799	19	\$22,533	\$24,796	\$27,039	\$29,293	\$31,588	\$33,799
20	\$20,955	\$26,194	\$31,433	20	\$20,955	\$23,051	\$25,146	\$27,242	\$29,299	\$31,433

Market Survey Summary

- Current Salary to Market
 - 110%
 - High: 144% Low: 74%
- After Salary Structure Developed
 - 106%
 - High: 132% Low: 74%

Internal Equity

- Point Factor Analysis
 - Skill
 - Education
 - Experience/Job Knowledge
 - Responsibility
 - Supervisory
 - Administrative
 - Public/Customer Relations
 - Government Relations
 - Safety of Others
 - Complexity/Impact

Internal Equity

- Point Factor Analysis
 - Working Conditions
 - Environmental
 - Physical Demands/Hazards

New Pay System

- Philosophy to pay at to slightly above the market (Third Quintile 100-104%)
- 20 Grades (High to Low)
 - Mid-points (100% or market rate) separate each grade by 7%
 - Minimum set at 80% of market
 - Maximum set at 120% of market
- Adjustments to Pay Rates based on Performance

Grade Example

Salary Range	1 st Quintile 80-87%	2 nd Quintile 88-95%	3 rd Quintile 96-104%	4 th Quintile 105-112%	5 th Quintile 113-120%
7	\$53,830	\$59,213	\$64,596	\$70,651	\$76,034
			Mid-point \$67,287		Max Rate \$80,744

New Performance Evaluation Forms

- How does pay integrate with performance?
- Three Different Evaluation Forms
 - Employee
 - Management
 - Leadership
- Employee Self-Appraisal Form
- Customer Feedback Form
- 360° Leadership Survey

Performance Evaluation Organization

- Mandatory Review of Job Description
- Core Values
- Competency Evaluation
- Performance Factors
- Prior Year's Performance Goals
- Performance Goals for the Upcoming Year
- Personal Career/Development Goals
- Overall Ratings
- Comments
- Signatures

Competency Evaluation Section

Employee	Management	Leadership
Communicativeness	High Standards & Results Orientation	Strategic Thinking
Team Player	Team Management	Influence
Customer Orientation	Organization & Planning	Relationship Building
Initiative	Talent Management	Vision
Positive Impact	Positive Impact	Risk Taking
Problem Solving & Decision Making		

Timelines for Performance Evaluations

Task	Employee	Management	Dept. Head
Self-Evaluation and Self-Evaluation Form Completed	April 15 th	April 15 th	April 30 th
Draft Evaluation Completed and Approved by Department Head	May 1 st	May 1 st	May 15 th
Evaluation Meetings Begin	May 15 th	May 15 th	June 1 st
Evaluation Meetings End	June 30 th	June 30 th	June 30 th
Merit Pay Applied	2 nd Pay Period in July	2 nd Pay Period in July	2 nd Pay Period in July

Merit Decisions Worksheet Example

		Position in Range (Quintiles)					
		1st	2nd	3rd	4th	5th	
		(88-87%)	(88-95%)	(95-104%)	(105-112%)	(113-120%)	
Performance Rating		0.06	0.24	0.36	0.25	0.09	1.00
Exceeds Expectations	0.15	4.0	3.5	3.0	2.5	2.0	
Meets Expectations	0.80	3.5	3.0	2.5	2.0	1.5	
Below Expectations	0.05	0.0	0.0	0.0	0.0	0.0	
		1.0					

Implementation Costs

- Increases for those below the minimum rate (2 Individuals)
- Accelerate those with over two years of experience that are not within the market range (<.96 of the market rate)
- Phase out of the Step system
- Merit Increases in July

Employee Concerns

- Internal Equity
- The Market
- Redlining
- Merit Adjustments
- Formal Appeal Process
- Annually Review Job Descriptions

Appendix B – Human Resource Committee Minutes, February 13, 2012

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE: February 13, 2012

TIME: 5:30 p.m.

PLACE: Board Room

PRESENT: R. Wagner (C), G. Gisselman, D. Nutting, D. Oberbeck, L. Rasmussen

Also present: D. Beula, E. Gault, M. Groat, A. Jacobson, K. Kellbach, S. Lipscomb, M. Loy, B. Nagle, J. Tipple, T. VanOrder, T. Williams

Consider 2012 Compensation Policy and Pay Model for General City employees: Loy introduced the pay model, explaining that with the non-certification of the AFSCME group it is now necessary to make a decision on their wage rates, and offered the options of retaining their present pay structure, doing a full salary study, or to integrate all general employees into one pay matrix, which is his recommendation and has been provided to Committee for their directive, and which Committee focused discussion on. Rasmussen offered that she likes the additional years afforded for employees to progress to higher pay levels, in that previously they hit their maximum level in a short time and had nowhere to progress except to request a reclassification. Wagner agreed with the value of a larger step program but also sees it, along with the employee handbook, as a directive to managers to utilize the progression time in this matrix to adequately train people, enabling them to reach their full potential. Loy spoke to various points in the creation of the matrix, informing Committee that no employee's base wage decreased but actually, in most cases saw some level of an increase with the average level of increase for this group being just under one percent, however, because longevity, previously afforded to some AFSCME members per their contract, has been removed, he has proposed a one-time payment in 2012 only, as an adjustment to anyone who's overall annual salary decreased because of loss of longevity, with the Committee agreeing that it sounds like a fair way to handle the issue. Loy also informed Committee that this pay model will afford us front-end savings from the step progressions initially for approximately eight years, when at that time we may see an increase in expenses which will, however, be offset by new employees coming in at the low end of the scale. Loy further clarified that though longevity has been removed, the system has longevity implied because the mid-range step 5 is the market rate but we hire below that step and then rise above throughout their employment to reach the maximum step, which is 40% higher than when they started, with Loy asserting that the progression is promising to a new employee. Loy also clarified that employees progress through the pay matrix annually on their anniversary date dependent upon a satisfactory performance evaluation from their supervisor, with Rasmussen expressing approval in that this method introduces some of the elements of merit through performance with wage progression dependent upon employee performance. Committee briefly discussed the performance evaluation process with Loy informing Committee that our present system will be updated and developed going forward. Additionally Loy spoke to the small number of employees that are currently red-lined as their current rates translated above the maximum step of the pay matrix, explaining that those employees would stay at their present rate until the matrix catches up to them. Loy spoke to the reclassification request process as regulated to requests being accepted April 1st through June 30th and then presented as a whole prior to the budget process, with Committee briefly discussing various general points in how reclassifications are handled and administered. Loy specified that, should this Committee approve the pay model it will be forwarded to February 28th Council meeting, along with the handbook, for implementation April 1, 2012.

Motion by Nutting, second by Oberbeck to approve the Compensation Policy and Pay Model, as presented. All ayes. Motion carried unanimously.

8. Discussion on participation in salary grade survey: Loy informed Committee that Marathon County is engaging in a compensation study that will index positions not only from the public sector but the private

sector as well which will be new and invaluable information as that is the market that we recruit from, and that data will result in the development of a new compensation plan, matrixes and a new system for them. Loy further explained that he is requesting authorization to participate in that study only to the extent of receiving the data from the study and bringing the information back to Committee to discuss how to utilize that data. Loy extrapolated that the data will show that some of our positions are over market and some are under market, and that information will assist us in possible future adjustments to our own compensation plan. The full study has been estimated to cost \$70,000, however, access to the data will cost us \$5,000, which Loy suggested is well worth the cost to do our due diligence in assessing our compensation plan. Committee discussed the process and participation demographic of compensation studies, and how that data is obtained and utilized across the public and private sectors, with Loy stressing that joining with regional entities in these studies is a good strategy. Loy clarified that he is seeking permission from this Committee to participate in the study as discussed and assured Committee that he has the funding available in his budget.

Appendix C – Human Resource Committee Minutes, April 9, 2012

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE: April 9, 2012
TIME: 5:30 p.m.
PLACE: Board Room
PRESENT: R. Wagner (C), G. Gisselman, D. Nutting, D. Oberbeck, L. Rasmussen
EXCUSED: G. Gisselman excused at 6:10 p.m.
Also present: S. Abitz, D. Beula, P. Czarapata, N. Giese, M. Groat, M. Lehman, S. Lipscomb, M. Loy, B. Nagle, T. VanOrder

Review pay for performance model for Human Resources Department: Loy spoke to describing the process and framing the issue of pay for performance, and seeking input and feedback from Committee to direct him to eventually follow through with a consultant study, adding that with the present budgetary climate in the state, many cities across the state are exploring or implementing merit based pay. Loy offered the Human Resources Department as a case example by way of explanation, and provided handout materials including information on our present compensation plan pay structure and overall priorities as we address compensation, the value of choosing the best process of addressing compensation plans, adding that the study would take between six and eight weeks to complete once initiated. Loy further explained specific steps and points of the study that would include review of existing job descriptions, market comparison and matching to several sources, pay level identification, pay/skill level matching, and design of a new grading system. Loy reminded Committee that Marathon County has an RFP in progress for a study, and Loy has spoken with Wipfli, a local company who he believes delivers a good product at a similar cost with completion in a short time-frame, specifying that he would envision the study being done in two phases, at approximately \$14,000 per phase, and would recommend beginning with management staff and the non-represented group, adding that we would be able to go into the 2013 budget process with those compensation numbers. Oberbeck questioned whether it may be wiser to wait until the market stabilizes, with Loy suggesting that we are currently out of line in many facets of our compensation, and that a good study can be adjusted as the market changes. Loy stressed the importance of progressing to a system that rewards based on merit, with Rasmussen agreeing that there should be an incentive to earn higher pay through quality of work, and spoke to the importance of judging where we are in compensation through this study.

Motion by Nutting, second by Rasmussen to pursue the study as outlined in material and discussion, and to advance the issue to Finance Committee for consideration of funding. All ayes. Motion carried unanimously.

Pay for Performance

HR Generalist											
7	\$34,780.83	\$36,496.60	\$38,212.38	\$39,928.15	\$41,643.92	\$43,382.37	\$44,436.24	\$45,506.30	\$46,581.76	\$47,651.82	\$48,631.19
Hourly	\$16.72	\$17.55	\$18.37	\$19.20	\$20.02	\$20.86	\$21.36	\$21.88	\$22.40	\$22.91	\$23.38
\$ Increase		\$0.82	\$0.82	\$0.82	\$0.82	\$0.84	\$0.51	\$0.51	\$0.52	\$0.51	\$0.47
% Increase		4.93%	4.70%	4.49%	4.30%	4.17%	2.43%	2.41%	2.36%	2.30%	2.06%
COLA											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
STEP											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	4.93%	4.70%	4.49%	4.30%	4.17%	2.43%	2.41%	2.36%	2.30%	2.06%	
Total											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	6.93%	6.70%	6.49%	6.30%	6.17%	4.43%	4.41%	4.36%	4.30%	4.06%	
	\$17.88	\$19.08	\$20.32	\$21.60	\$22.93	\$23.95	\$25.00	\$26.09	\$27.21	\$28.32	
	\$37,192.22	\$39,684.54	\$42,260.11	\$44,921.29	\$47,694.98	\$49,807.51	\$52,003.07	\$54,272.13	\$56,604.29	\$58,899.74	
HR Analyst											
10	\$42,231.32	\$44,320.70	\$46,409.00	\$48,499.45	\$50,586.67	\$52,676.05	\$53,983.66	\$55,290.20	\$56,593.49	\$57,900.03	\$59,091.03
Hourly	\$20.30	\$21.31	\$22.31	\$23.32	\$24.32	\$25.33	\$25.95	\$26.58	\$27.21	\$27.84	\$28.41
\$ Increase		\$1.00	\$1.00	\$1.01	\$1.00	\$1.00	\$0.63	\$0.63	\$0.63	\$0.63	\$0.57
% Increase		4.95%	4.71%	4.50%	4.30%	4.13%	2.48%	2.42%	2.36%	2.31%	2.06%
COLA											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
STEP											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	4.95%	4.71%	4.50%	4.30%	4.13%	2.48%	2.42%	2.36%	2.31%	2.06%	
Total											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	6.95%	6.71%	6.50%	6.30%	6.13%	4.48%	4.42%	4.36%	4.31%	4.06%	
	\$21.71	\$23.17	\$24.68	\$26.23	\$27.84	\$29.09	\$30.38	\$31.70	\$33.07	\$34.41	
	\$45,165.33	\$48,196.73	\$51,331.64	\$54,567.38	\$57,912.52	\$60,508.37	\$63,182.99	\$65,935.99	\$68,776.94	\$71,567.21	
HR Director											
20	\$67,074.93	\$70,404.97	\$73,738.26	\$77,067.22	\$80,400.51	\$83,729.47	\$85,812.37	\$87,894.19	\$89,977.09	\$92,058.91	\$93,958.24
Hourly	\$32.25	\$33.85	\$35.45	\$37.05	\$38.65	\$40.25	\$41.26	\$42.26	\$43.26	\$44.26	\$45.17
\$ Increase		\$1.60	\$1.60	\$1.60	\$1.60	\$1.60	\$1.00	\$1.00	\$1.00	\$1.00	\$0.91
% Increase		4.96%	4.73%	4.51%	4.33%	4.14%	2.49%	2.43%	2.37%	2.31%	2.06%
COLA											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%	2%
STEP											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	4.96%	4.73%	4.51%	4.33%	4.14%	2.49%	2.43%	2.37%	2.31%	2.06%	
Total											
	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	
	6.96%	6.73%	6.51%	6.33%	6.14%	4.49%	4.43%	4.37%	4.31%	4.06%	
	\$34.49	\$36.82	\$39.21	\$41.70	\$44.26	\$46.24	\$48.29	\$50.40	\$52.57	\$54.71	
	\$71,746.47	\$76,578.20	\$81,566.94	\$86,726.18	\$92,051.58	\$96,182.54	\$100,439.59	\$104,828.58	\$109,350.59	\$113,793.69	

Pay for Performance

Grade	MINIMUM		MIDPOINT		MAXIMUM
1	\$25,782.48	\$28,360.72	\$30,938.97	\$33,517.22	\$36,095.47
Hourly	\$12.40	\$13.63	\$14.87	\$16.11	\$17.35
\$ Increase	\$1.24	\$1.24	\$1.24	\$1.24	\$1.24
% Increase		10.00%	9.09%	8.33%	7.69%
2	\$27,587.25	\$30,345.97	\$33,104.70	\$35,863.42	\$38,622.15
Hourly	\$13.26	\$14.59	\$15.92	\$17.24	\$18.57
\$ Increase	\$1.33	\$1.33	\$1.33	\$1.33	\$1.33
% Increase		10.00%	9.09%	8.33%	7.69%
3	\$29,518.36	\$32,470.19	\$35,422.03	\$38,373.86	\$41,325.70
Hourly	\$14.19	\$15.61	\$17.03	\$18.45	\$19.87
\$ Increase	\$1.42	\$1.42	\$1.42	\$1.42	\$1.42
% Increase		10.00%	9.09%	8.33%	7.69%
4	\$31,584.64	\$34,743.10	\$37,901.57	\$41,060.03	\$44,218.50
Hourly	\$15.18	\$16.70	\$18.22	\$19.74	\$21.26
\$ Increase	\$1.52	\$1.52	\$1.52	\$1.52	\$1.52
% Increase		10.00%	9.09%	8.33%	7.69%
5	\$33,795.57	\$37,175.12	\$40,554.68	\$43,934.23	\$47,313.79
Hourly	\$16.25	\$17.87	\$19.50	\$21.12	\$22.75
\$ Increase	\$1.62	\$1.62	\$1.62	\$1.62	\$1.62
% Increase		10.00%	9.09%	8.33%	7.69%
6	\$36,161.25	\$39,777.38	\$43,393.51	\$47,009.63	\$50,625.76
Hourly	\$17.39	\$19.12	\$20.86	\$22.60	\$24.34
\$ Increase	\$1.74	\$1.74	\$1.74	\$1.74	\$1.74
% Increase		10.00%	9.09%	8.33%	7.69%
7	\$38,692.54	\$42,561.80	\$46,431.05	\$50,300.31	\$54,169.56
Hourly	\$18.60	\$20.46	\$22.32	\$24.18	\$26.04
\$ Increase	\$1.86	\$1.86	\$1.86	\$1.86	\$1.86
% Increase		10.00%	9.09%	8.33%	7.69%
8	\$41,401.02	\$45,541.12	\$49,681.22	\$53,821.33	\$57,961.43
Hourly	\$19.90	\$21.89	\$23.89	\$25.88	\$27.87
\$ Increase	\$1.99	\$1.99	\$1.99	\$1.99	\$1.99
% Increase		10.00%	9.09%	8.33%	7.69%
9	\$44,299.09	\$48,729.00	\$53,158.91	\$57,588.82	\$62,018.73
Hourly	\$21.30	\$23.43	\$25.56	\$27.69	\$29.82
\$ Increase	\$2.13	\$2.13	\$2.13	\$2.13	\$2.13
% Increase		10.00%	9.09%	8.33%	7.69%
10	\$47,400.03	\$52,140.03	\$56,880.03	\$61,620.04	\$66,360.04
Hourly	\$22.79	\$25.07	\$27.35	\$29.63	\$31.90
\$ Increase	\$2.28	\$2.28	\$2.28	\$2.28	\$2.28
% Increase		10.00%	9.09%	8.33%	7.69%
11	\$50,718.03	\$55,789.83	\$60,861.64	\$65,933.44	\$71,005.24
Hourly	\$24.38	\$26.82	\$29.26	\$31.70	\$34.14
\$ Increase	\$2.44	\$2.44	\$2.44	\$2.44	\$2.44
% Increase		10.00%	9.09%	8.33%	7.69%
Grade	MINIMUM		MIDPOINT		MAXIMUM
12	\$54,268.29	\$59,695.12	\$65,121.95	\$70,548.78	\$75,975.61
Hourly	\$26.09	\$28.70	\$31.31	\$33.92	\$36.53
\$ Increase	\$2.61	\$2.61	\$2.61	\$2.61	\$2.61
% Increase		10.00%	9.09%	8.33%	7.69%
13	\$58,067.07	\$63,873.78	\$69,680.49	\$75,487.20	\$81,293.90
Hourly	\$27.92	\$30.71	\$33.50	\$36.29	\$39.08
\$ Increase	\$2.79	\$2.79	\$2.79	\$2.79	\$2.79
% Increase		10.00%	9.09%	8.33%	7.69%
14	\$62,131.77	\$68,344.95	\$74,558.12	\$80,771.30	\$86,984.48
Hourly	\$29.87	\$32.86	\$35.85	\$38.83	\$41.82
\$ Increase	\$2.99	\$2.99	\$2.99	\$2.99	\$2.99
% Increase		10.00%	9.09%	8.33%	7.69%
15	\$66,480.99	\$73,129.09	\$79,777.19	\$86,425.29	\$93,073.39
Hourly	\$31.96	\$35.16	\$38.35	\$41.55	\$44.75
\$ Increase	\$3.20	\$3.20	\$3.20	\$3.20	\$3.20
% Increase		10.00%	9.09%	8.33%	7.69%
16	\$71,134.66	\$78,248.13	\$85,361.59	\$92,475.06	\$99,588.53
Hourly	\$34.20	\$37.62	\$41.04	\$44.46	\$47.88
\$ Increase	\$3.42	\$3.42	\$3.42	\$3.42	\$3.42
% Increase		10.00%	9.09%	8.33%	7.69%
17	\$76,114.09	\$83,725.50	\$91,336.91	\$98,948.31	\$106,559.72
Hourly	\$36.59	\$40.25	\$43.91	\$47.57	\$51.23
\$ Increase	\$3.66	\$3.66	\$3.66	\$3.66	\$3.66
% Increase		10.00%	9.09%	8.33%	7.69%
18	\$81,442.07	\$89,586.28	\$97,730.49	\$105,874.70	\$114,018.90
Hourly	\$39.15	\$43.07	\$46.99	\$50.90	\$54.82
\$ Increase	\$3.92	\$3.92	\$3.92	\$3.92	\$3.92
% Increase		10.00%	9.09%	8.33%	7.69%
19	\$87,143.02	\$95,857.32	\$104,571.62	\$113,285.93	\$122,000.23
Hourly	\$41.90	\$46.09	\$50.27	\$54.46	\$58.65
\$ Increase	\$4.19	\$4.19	\$4.19	\$4.19	\$4.19
% Increase		10.00%	9.09%	8.33%	7.69%
20	\$93,243.03	\$102,567.33	\$111,891.64	\$121,215.94	\$130,540.24
Hourly	\$44.83	\$49.31	\$53.79	\$58.28	\$62.76
\$ Increase	\$4.48	\$4.48	\$4.48	\$4.48	\$4.48
% Increase		10.00%	9.09%	8.33%	7.69%

HR Director					
	Current	Market Analysis	Variance	Proposed	Difference
Minimum	\$67,075	\$69,570	(\$2,495)	\$71,135.00	\$4,060
Mid-Point	\$83,729	\$86,962	(\$3,233)	\$85,362.00	\$1,633
Maximum	\$93,958	\$104,355	(\$10,397)	\$99,589.00	\$5,631
HR Analyst					
	Current	Market Analysis	Variance	Proposed	Difference
Minimum	\$42,231	\$41,039	\$1,192	\$41,401.00	(\$830)
Mid-Point	\$52,676	\$51,299	\$1,377	\$49,681.00	(\$2,995)
Maximum	\$59,091	\$61,559	(\$2,468)	\$57,961.00	(\$1,130)
HR Assistant					
	Current	Market Analysis	Variance	Proposed	Difference
Minimum	\$32,294	\$28,123	\$4,171	\$33,796.00	\$1,502
Mid-Point	\$40,255	\$35,154	\$5,101	\$40,554.00	\$299
Maximum	\$45,146	\$42,185	\$2,961	\$47,314.00	\$2,168
				Total	Difference
					\$4,732
					(\$1,063)
					\$6,669

Appendix D – Human Resource Committee Minutes, July 9, 2012

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE: July 9, 2012
TIME: 4:30 p.m.
PLACE: Board Room
PRESENT: R. Wagner (C), G. Gisselman, D. Nutting
ABSENT: B. Nagle, D. Oberbeck
Also present: M. Groat, A. Jacobson, and M. Loy

3. Communications:

b) Loy updated the committee on the Compensation Study. Public and private sector salary data is being collected for Marathon, Wood, and Portage counties and City of Marshfield, and should be available late August. The HR department has been updating the format of job descriptions for non-represented employees; these updated job descriptions will be going out to department heads shortly to have their content updated. Lastly, the creation of the Pay-for-Performance System will be evaluated in this process. A team will be put together to redevelop employee performance evaluations and create a proposal for the pay-for-performance system.

Appendix E – Human Resource Committee Minutes, August 13, 2012

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE: August 13, 2012
TIME: 4:30 p.m.
PLACE: Board Room
PRESENT: R. Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
ABSENT:
Also present: Mayor Tipple, A. Jacobson, D. Bohn, M. Loy, N. Giese, and B. Hebert.

3. Communications:

a) Loy updated the committee on the Compensation Study. The initial report will be available at the end of August and provided to Loy. Information will be brought to the committee at the September or October HR Committee Meeting.

b) Loy updated the committee on the Performance Management project. Loy and Romey Wagner sat down with a number of department directors last week and began to develop the performance evaluation tool; this tool will be a competency-based performance evaluation. Loy will have a draft to show the HR Committee at the September or October meeting.

Appendix F – Human Resource Committee Minutes, September 10, 2012

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE: September 10, 2012
TIME: 4:30 p.m.
PLACE: Board Room
PRESENT: R. Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
ABSENT:
Also present: Mayor Tipple, D. Bohn, P. Czarapata, M. Groat, B. Marquardt, and M. Loy

3. Communications:

a) Project Updates. Loy stated that preliminary data for the Compensation Study was reviewed in Waupaca last week, though there is nothing to discuss at this time. The data is being rerun due to some comparable data being submitted late.

Performance Management project: Tools are being drafted for performance evaluations, and the project continues to move forward.

Health Insurance RFP update: A meeting will take place this week to get bids back.

Appendix G – Human Resource Committee Minutes, October 8, 2012

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE: October 8, 2012
TIME: 4:30 p.m.
PLACE: Board Room
PRESENT: R. Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
Also present: Mayor Tipple Anne Jacobson, Nan Giese, and M. Loy

3. Communications:

a) Project Updates. Loy updated the committee on the Compensation Study. He is still waiting on the updated data from Carlson. Once the updated data is received they can move forward with WIPFLI on the study. The Performance Management project is continuing to be reviewed and is moving forward, reviewing drafts during the month of October.

5. Administrative Items:

b) Amendments to Compensation Policy and Pay Plan. Loy stated that the Compensation Policy and Pay Plan will become a part of the Employee Handbook to provide easier access of information to employees. Future updates of this subject will be handled as updates/changes to the Employee Handbook, which will then go to council.

Appendix H – Human Resources Committee Minutes, November 12, 2012

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE: November 12, 2012
TIME: 4:30 p.m.
PLACE: City Hall, Board Room
PRESENT: R. Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
Also present: Mayor Tipple, P. Czarapata, N. Giese, M. Groat, A. Jacobson, M. Loy, and A. Wesolowski

5. Policy Items:

a) Employee Handbook Updates – For Introduction. The original handbook draft was approved in February and implemented in April with the intent to update in the future. Department heads and employees have recently received updated copies. The design has been changed to allow for better flow of the information and subchapters have been added to allow employees to find information easier and for amendments to be added in the future without updating the entire handbook. Loy stated the goal is to answer any questions about the handbook, bring it back to the committee in December and have it approved. Future changes would be made annually as needed. Wagner questioned if all changes made to date are legal; Loy said that he has outside legal review the document. Nutting asked if the handbook will be available electronically with the ability to search by keywords; Loy said the handbook will be available electronically; however he has not looked into having it searchable by keywords. Loy stated that there are two substantial differences in the handbook. The first change is how employees receive workers compensation benefits, only allowing for the state benefit with no salary continuance after three days. Any deductions the employee has missed during their time off for workers compensation will be handled once the employee returns to work. The handbook clearly details all changes. The second major change is to compensatory time for exempt level employees. Currently, compensatory time is earned by exempt level employees (excluding department heads) who work more than 40 hours a week; comp time is earned for all time worked over 40 hours. Loy recommends that exempt level positions should not be eligible for comp time and having to work extra hours at times is a responsibility that comes with and is expected of the positions; the benefit is that if an exempt level employee needs to come in late or leave early they can flex their time to accommodate their need. Loy is suggesting the change to alleviate the city's liability with wage and hour type claims. Additionally, Loy does not believe comp time will fit with the pay-for-performance system that he would like to implement in the future. Wagner asked what the cost savings would be; Loy did not have the estimated savings at this time. Groat interjected that this would not affect non-exempt employees or police and fire. Loy said about 30-40 employees would be affected by this change and there would be a financial impact because the city was allowing employees to get paid out for the accumulated comp time. Wesolowski shared that he is one of the middle management employees that this change would affect. He shared his experience working in the private sector and how the ability to accrue comp time was a benefit that was a factor in taking a position with the city, and without knowing what the pay-for-performance plan looks like he doesn't know what incentive there will be to work more than 40 hours a week. Discussion took place about various scenarios with employees, comp time and how exempt-level employees may be compensated under the pay-for-performance model. Loy said that the current system the city has now would be completely replaced, though no further details were given. Czarapata shared that he believes if middle-management employees are not allowed to receive comp time that it will be deter some from being productive. Wagner said that the pay-for-performance system should be presented before any further action is taken with items such as comp time. Loy said he is willing to at ways to keep comp time as an option. Further

discussion took place about doing more with fewer employees, looking at what department are accruing comp time and do they have a staffing issue, and if so, is hiring more employees more desirable than paying comp time. Loy will bring back design options for comp time to December's meeting.

b) **Discussion of Compensation Structure and Policy.** Loy began with an overview of the compensation structure that the city currently uses for general employees. The current compensation structure for non-represented employees was designed in 1994 based on market data and job analysis and was designed as a pay-for-performance structure. The structure begins at 20% below current market rate and progresses to 12% above market rate for positions. The original idea was that every year an employee would receive an evaluation that would determine if the employee received a step increase. Discussion took place on how to change the compensation structure to allow for employees to arrive at the current market rate in a shorter period of time, depending on the position and expected time for an employee to be proficient. The next step of discussion for the compensation structure was, once an employee is at the market rate, how much more do we want to offer, is 12% acceptable? Nagle asked how do we keep and reward our really good employees, and Loy answered that since benefits have become more in-line with the private sector, going with a pay-for-performance structure and offering variable pay above market rate are the ways to keep and motivate employees. Oberbeck suggested a variety of possible benefits as a way to reward employees instead of just monetary compensation. Loy said different scenarios will be brought to the table to discuss in the future regarding this item.

Appendix I – Human Resource Committee Minutes, December 10, 2012

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE/TIME: December 10, 2012 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: G. Gisselman, B. Nagel, D. Nutting, D. Oberbeck
MEMBERS ABSENT: R. Wagner (C)
Other Present: Mayor Tipple, J. Hardel, M. Groat, A. Jacobson, M. Loy, P. Czarapata, M. Walker, T. Larsen, D. DeSantis, T. Stratz, and K. Winters

Project Updates. Loy updated the Committee on the Performance Management project and Compensation Study. Job descriptions are being updated to give to the consultant for the Compensation Study. Loy stated that salary data has been received, and once the other pieces for the study are in place, the data will be ready to share. Loy believes this should take a couple of months.

HR Performance Report. Loy gave a brief overview of the HR Performance Report and also mentioned that results from the HR Satisfaction Survey will be available to the Committee next month.

Employee Handbook. Loy reviewed with the Committee the revisions made to the Employee handbook based on questions raised by staff and the discussion at the November HR Committee meeting. The changes include the following: Police Lieutenants will work straight 12-hour shifts to avoid overtime pay on days where line officers are on 10-hour shifts and only one lieutenant is available to supervise. Next, the Engineering Division has Engineering Techs that work in the summer during the hours that contractors work. This group will receive overtime if they work more than 8 hours in a day even if they don't work 40 hours in a week, as proposed by Brad Marquardt. Lastly, Compensatory Pay (Comp Time) has been changed back to its original language, and no changes will be made at this time. Loy would like to continue to work on alternatives and will provide a detailed overview of this issue next year and present options. Motion made by Nagel to approve the Employee Handbook and the recommended changes provided with amendments to go to Council next week. Second by Nutting. All ayes, Motion passes unanimously.

Updates to 2013 Salary Matrix. Loy reviewed the background of the proposed wage increase for general employees. A 1.5% wage increase for general employees was included in the 2013 Budget because Police and Fire negotiated a 1% increase on 1/1/13 and 1% increase on 7/1/13, to equal a 1.5% increase for the calendar year. The Transit contract is set to expire June 30th but their current contract allows them to receive whatever general City employees receive. Therefore 1.5% was budgeted for all employees but Loy would like the committee to discuss and decide how the compensation should be applied to adjust pay rates. Loy recommended that the Committee approve a 1% wage increase for 1/1/13 at this time. Loy said the additional 0.5% wage increase can be voted on at a later date, and it may also be prudent for the Committee to wait to potentially use the additional 0.5% for employee salaries if the new pay system is implemented and adjustments are needed in the near future. Motion by Nagel to approve a 1% wage increase on 1/1/13 for all general employees. Second by Nutting. All ayes. Motion passes unanimously.

Appendix J – Human Resource Committee Minutes, January 14, 2013

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE/TIME: January 14, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
MEMBERS ABSENT:
Other Present: Mayor Tipple, N. Giese, M. Groat, A. Jacobson, M. Loy, D. Bohn, P. Czarapata, D. DeSantis, T. Larsen, J. Ray, and Rae Anne Beaudry

Project Updates. Loy gave an update on the Compensation Study, stating that he still has some outstanding job descriptions that the department is reviewing now and will be moving forward in the next week. Wagner asked if all the job descriptions have been received. Loy answered that some departments are still working on them. Wagner asked how the outstanding job descriptions will be collected. Loy said he will send an email out asking for the outstanding job descriptions per Wagner's urgent request.

Exempt Staff Compensatory Time Accrual and Utilization (Loy). Loy gave a presentation on exempt staff compensatory time accrual and utilization based on his concerns over how compensatory time is accrued, used, and paid out for exempt level employees. Through his research, Loy found that 51 exempt level employees accrued 6,046 hours of comp-time in 2011 (resulting in approximately \$85,000 paid out), and 45 exempt level employees accrued 5,152 hours of comp-time in 2012 (resulting in approximately \$72,000 paid out). Loy stated that Police and Fire have been accruing the most comp-time, however this should change at the Police Department with the addition of 2 patrol lieutenant positions and the change to 12-hour shifts this year. Loy informed the committee that exempt level employees are working an average of 2.5 weeks over their regular work schedule per year. Gisselman asked if Loy will be looking for any trends for comp-time and making changes to the policy. Loy said he will be looking at comp-time accrual but feels if any changes are to be made to the policy they should be done as early in the year as possible. Discussion took place about having each department head look at comp-time to find out if additional staff or scheduling adjustments are needed, and the diminished distinction between exempt and non-exempt employees. Nagle stated that exempt employees should not be punching the clock like hourly (non-exempt) employees. Wagner closed the conversation by stating there is enough concern about this issue to bring it back to the committee.

Appendix K – Human Resource Committee Minutes, February 11, 2013

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE/TIME: February 11, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), G. Gisselman, D. Oberbeck
MEMBERS ABSENT: B. Nagle, D. Nutting
Other Present: Mayor Tipple, G. Buchberger, M. Groat, J. Hardel, A. Jacobson, M. Loy, P. Czarapata, J. Finke, K. Kellbach, L. Rasmussen, P. Rentmeester, A. Seitz

Project Updates. Loy stated that beginning next month he will provide a project update monthly summary with the HR materials. The job description revisions for the Compensation Study are almost complete and the HR department will be meeting with the consultant within the next week.

Appendix L – Human Resource Committee Minutes, May 13, 2013

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE/TIME: May 13, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R. Wagner (C), G. Gisselman, B. Nagle, D. Oberbeck
MEMBERS ABSENT: D. Nutting
Other Present: Mayor Tipple, D. Bohn, P. Czarapata, D. DeSantis, N. Giese, M. Groat, A. Jacobson, T. Larsen, M. Loy

Classification & Compensation Study Process Overview - WIPFLI. A presentation was made by Julia Johnson and Debra Pagel from WIPFLI on the Classification & Compensation Study process. Johnson and Pagel explained how all the information collected for this project is studied, reviewed, and used to design a classification and compensation system. The data used for the presentation were examples only and not based off of City of Wausau information. Nagle asked what kind of philosophy the city should have to attract the best workers for the top decision-making positions. Johnson and Pagel said the discussion begins in the HR Committee on how they want to compensate the positions and gave various examples of what can be created by the city with the data that will be received. Gisselman asked what the next step pertaining to policy will be. Johnson said that a philosophy of how the City wants to compensate should be created as the next step before the data is received. (Wagner turned the meeting over to Vice Chairman Oberbeck, due to another commitment.) Nagle asked if there was any information collected for the study that would not be available to the City, and the answer was no – all aggregate data will be available. Gisselman asked if benefits are factored into the compensation data. The city will receive data only regarding compensation and will have to factor in benefits. Loy said the City has been using a compensation system that was designed in the mid-90's and evaluations that have an approximate 70% completion rate; the information gathered in this study will move the City to a pay for performance system. Gisselman asked what the plan is to move towards the pay for performance system and if supervisors will know how to complete the new performance evaluations. It was stated that implementation and administration of the new pay for performance system will be guided by WIPFLI as part of the project and supervisors will be trained on how to complete the new performance evaluations.

Request to Include All Non-Union Employees into the Classification & Compensation Study. Loy stated how, in going through job descriptions, it was found that some positions currently categorized as exempt status should be moved to non-exempt status. In going through all the descriptions, Loy believes that instead of waiting to include all of the non-exempt positions into the study, it should be done now. Although it will increase the dollar amount of the project slightly, Loy said that he will be able to absorb the cost in this year's budget. Motion made by Nagle to approve the request to include all non-union employees into the Classification & Compensation Study. Second by Gisselman. All ayes, motion passes unanimously.

Appendix M – Human Resource Committee Minutes, June 10, 2013

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE/TIME: June 10, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), G. Gisselman, D. Nutting, D. Oberbeck
MEMBERS ABSENT: B. Nagle
Other Present: Mayor Tipple, P. Czarapata, M. Groat, B. Hebert, A. Jacobson, K. Kellbach
M. Loy, A. Werth, K. Winters

Update 2013 Salary Matrix. Loy explained that the 2013 Budget provided for a 1.5% increase for all general employees, with 1% implemented on January 1st and 1% implemented on July 1st, to be consistent with the Police and Fire Unions. The HR Committee voted to implement the 1% increase on January 1st, and now is being asked to vote on the 1% increase for July 1st. The July 1st increase was not voted on prior to this time because of it being dependent on the progress of the Classification & Compensation Study and data to be received, and possible implementation costs of the new pay matrix. At this time, the study and data are not complete, and it does not appear that there will be any implementation costs associated with the new pay matrix when it goes into effect, therefore, a vote on the July 1st 1% increase for general employees is being brought to the committee. Additionally, the consultant did not feel that a 1% adjustment would impact overall alignment with the new pay scales that they are working on. Wagner commented that the salary increase was budgeted for and included in the 2013 Budget. Oberbeck had concerns over the public's view of granting the salary increase in the current economy. Loy stated that the increase has been budgeted and planned for, and it is the committee's decision on how to assign the increases that were budgeted for. Motion made by Gisselman to increase the general employee pay rates by 1% as of July 1st. Second by Nutting. All ayes. Motion passes unanimously.

Appendix N – Human Resource Committee Minutes, August 12, 2013

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE/TIME: August 12, 2013 at 5:00 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
MEMBERS ABSENT:
Other Present: Mayor Tipple, D. Bohn, J. Brezinski, P. Czarapata, N. Giese, M. Groat, J. Hardel, A. Jacobson, K. Kellbach, M. Loy, K. Rantanen-Day

Consider Compensation Philosophy and Base Pay Administrative Procedures.

Loy outlined what has been discussed so far on this topic and stated that this will be the first of two discussions, asking for the committee's input. Loy said he'd hoped to have been done this project earlier, however the previous consultant resigned. All results of the study that WIPFLI did will be presented by the new consultant at the September meeting. Loy gave an overview of the system we have now and the proposed system. The 5.01 General Provisions section of the Employee Handbook will be renamed Compensation Philosophy. Loy went over changes to this section, stating that it is meant to explain the philosophy towards the design and administration of the plan. Loy brought attention to the last sentence of the section, "Targeted levels for benefits will be positioned at or slightly above the market as derived by review of the industry and local survey data and discussion with City insurance representatives and other advisors." Loy feels it is important for the City to offer benefits that are at the slightly above other employers in order to attract qualified candidates and keep employees, and that this is a smart way for the City to compensate employees because it is non-taxable benefit. This part of compensation will be discussed more by the consultant next month. Gisselman asked if the City's benefits package would be above the market in the public sector, private sector, or both? Loy explained that the benefits offered in the area are taken into consideration as a whole, and that the City should be slightly above.

Loy moved forward with the discussion and focused on section 5.02 Base Compensation Plan Administration (formerly named Compensation Plan Administration), which explains how the plan will be managed and administered over time. The section begins by explaining the importance and function of job descriptions. Loy explained that job descriptions are essential for performance expectations, why the job is needed within the organization, and also helps with determining fit for duties, temporary assignments, and possible accommodations. Loy pointed out the policy in this section stating that salary adjustments and hiring rates will be only be authorized with a current job description, therefore maintaining job descriptions within all departments is vital. The new performance evaluations system will require 1) a performance evaluation be completed in order to receive a step increase, and 2) a review of the job description must be conducted as part of the performance evaluation. The next part of the section outlines the salary range structure. Loy went over changes with the new system, how it will be structured, and how performance will be tied to pay. A full report will be available next month. Gisselman stated his concern over if the new system provides a living wage to make Wausau desirable for families as a place to live. Loy stated again that the purpose of this discussion is to review the information, ask questions and provide input, and that he would rather everything be gone over thoroughly than rush through it, as it is a big policy change. The third part of this section outlined pay adjustments. Loy reviewed this section and outlined how market adjustments would be handled as well as merit increases. Loy explained that at this time, the current pay scale begins at 20% below market value and ends at 12% above market value, and takes an employee 11 years to reach the top. The new pay scale will allow employees to reach the market value rate at a quicker pace, but performance evaluations will determine all increases and the amount of increase that will be received.

August 9, 2013



POLICY MEMORANDUM

TO: Human Resources Committee
Jim Tipple, Mayor

FROM: Michael Loy, Director of Human Resources

RE: Consideration of Compensation Philosophy and Base Pay Administrative Procedures

As staff works to finalize the salary study for all general employees we are requesting the Human Resources Committee's input on the draft compensation philosophy and base pay administrative procedures. The proposed philosophy and procedures are intended to replace and amend current sections of the employee handbook. Staff seeks the input of the committee prior to preparing the final report and recommendations for the City's pay plan. Based on the discussion during the August HR Committee meeting, staff will finalize the proposal for the new plan and communicate it with all staff. Here is the timeline for the completion and communication of this project.

Week of August 12th – Incorporate HR Committee recommendations and finalize the materials needed for WIPFLI to complete their report and recommendations.

Week of August 19th – Distribute proposed salary structure changes and plan documents to City management and conduct question and answer sessions.

Week of August 26th – Distribute proposed salary structure changes and plan documents to all City employees.

Week of September 2nd – Schedule question and answer sessions with City departments

Monday September 9th – WIPFLI will present the final report and recommendations. Staff will seek a recommendation from the HR Committee on the proposed salary structure and amendments to the employee handbook to be delivered to Council.

Appendix O – Human Resource Committee Minutes, September 9, 2013

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE/TIME: September 9, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), G. Gisselman, B. Nagle, D. Nutting, D. Oberbeck
MEMBERS ABSENT:
Other Present: Mayor Tipple, D. Bohn, P. Czarapata, D. Erickson, M. Groat, J. Hardel, W. Hebert, A. Jacobson, T. Larsen, M. Loy, B. Marquardt

Presentation: WIPFLI – Compensation and Classification Study (Julie Johnson). Loy said the project is nearing completion and the goal is to finalize the report and have it to the HR Committee members before October’s meeting so that a vote can take place to approve the new pay plan and forward it to the Common Council in October. Based on the feedback after the presentation, Loy said he will begin to roll out the information to management. Loy introduced Julie Johnson from WIPFLI. Johnson gave an overview of the objectives of the compensation and classification study and walked the committee through all the steps completed during the study and how the information was gathered. Wagner asked if the salary structure presented included benefits; Johnson said the data presented does not include benefits, only the base salary. Oberbeck asked if a study has ever been done for elected officials. Loy said this could certainly be done; the information for elected officials can be pulled easily as public information and looked at by the committee in the future. No feedback was given by the committee, therefore Loy said that he would start rolling out the information to departments, cover the final report in October, and move to Council after.



Purpose of a Compensation Plan

- To ensure pay is established and administered according to fair and equitable principles
- To ensure the county is paying competitive wages consistent with its compensation philosophy
- To provide guidelines for the day-to-day administration of employee’s compensation with regard to hiring and salary adjustments

Objectives of a Compensation Plan

- Recognize the value each employee brings to the organization
- Pay salaries equitable for work being performed
- Ensure equitable pay across departmental lines
- Attract and retain qualified employees
- Increase understanding of pay administration
- Minimize inconsistent administration of pay
- Increase manager accountability
- Ensure wages are comparable to similar work in organizations you compete with for employees

Compensation Plan Development Strategy

- Create an understanding and definitions of the organization’s compensation philosophy
- Determine desired market position
 - Lag, meet, or lead market
- Identify the components of compensation
 - Base, incentives, benefits, perquisites

Traditional Compensation System

- Create a compensation committee
- Develop/update job descriptions
- Conduct internal equity analysis
- Conduct an external market analysis
- Design a salary structure
- Conduct a comparative ratio analysis
- Develop merit impact guidelines
- Create and execute communications plan
- Develop administration policies

Develop/Update Job Descriptions

Well designed compensation systems begins with clear definitions of job responsibilities and the qualifications necessary to fulfill the responsibilities

- Title
- Exemption status (FLSA considerations)
- Salary grade/range
- Position summary
- Essential job functions
- Secondary responsibilities
- Knowledge, skills and abilities (competencies)
- Working conditions
- Employee receipt acknowledgement

Conduct an Internal Equity Analysis

- An internal equity analysis determines the relative value of each position to every other position within the organization on the basis of compensable factors
- It is highly effective for an organization to establish a position's relative worth *within* the organization before it conducts an external analysis
- Typically this analysis is accomplished through an independent third party (to assist in testing the accuracy and completeness of the job descriptions) and then reviewed with the county.

WIPPELL

page 7

Point Factor Evaluation Method

- The Point Factor Evaluation Method breaks jobs down into identifiable compensable factors by assigning levels and points within the evaluation criteria
- This provides uniformity of evaluations, determines relative value of different positions, and addresses comparable worth issues

WIPPELL

page 8

Point Factor Evaluation Factors and Levels

- Points assigned to factors and levels
- Consider the job requirements only, not the job incumbent
- Assign an appropriate point value to each of these factors and levels

**PRESENT POINT FACTOR ANALYSIS TOOL
REVIEW FINAL INTERNAL EQUITY RESULTS**

WIPPELL

page 9

Conduct an External Market Analysis

- An external equity analysis determines the market value of each position by comparing it to published compensation data and/or to customized survey results
- Use the job description to match the survey job descriptions to each position's role and responsibility
- Do not rely solely upon job title as role, responsibilities may vary
- A reputable survey will have an adequate sample size and sound compensation survey methodology practices

WIPPELL

page 10

Conduct an External Market Analysis

Finding data is rarely a problem. Finding the "right" data can be the challenge.

- Secure reputable and reliable surveys
- Match jobs descriptions, not titles
- Consider demographics –operating budget, geographic location, size
- Date of the survey-may need to be aged

SHOW HR POSITION DATA SHEETS

WIPPELL

page 11

Design a Salary Structure

- After the organization has assembled the necessary information and has completed the internal and external equity analyses, it can design the salary structure.
- Typically, the external market analysis will be the primary consideration for the development and placement of positions within the salary structure.
- Sort positions by external market (equal value) and calculate a midpoint average for that particular group of positions.

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page 12

Design a Salary Structure

- This midpoint average will assist you in defining the pay groups throughout the salary structure.
- Development of the salary structure typically begins with the top position. Subsequent ranges are then developed on the basis of the remaining pay groups.
- There are approximately 7% progressions between midpoints.
- All positions are then incorporated into the salary structure.

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page 13

Design a Salary Structure

- Evaluate the preliminary salary structure to determine if the pay groups make sense within the organization.
- Consider the internal equity analysis and make any necessary adjustments on the basis of the relative value of the positions within the organization.
- Internal equity considerations are brought into focus if the value of the position internally differs from the external market and/or if external market data is unavailable given the uniqueness of the position.

WIPPELL

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REVIEW SALARY STRUCTURE

WIPPELL

page 15

Conduct a Comparative Ratio Analysis

This analysis allows the organization to determine where current rates of pay fall in relationship to the newly established salary structure midpoints. A highly effective tool for compensation administration to ensure fairness and equity.

EXAMPLE COMP-RATIO

WIPPELL

page 16

Develop Merit/COLA Decisions Worksheet

Review and Discuss the Tool

WIPPELL

page 17

Develop Plan Administration Guidelines

- Develop a written compensation philosophy
- Outline plan objectives
- Identify who has responsibility for the plan
- Describe importance and use of job documentation
- Describe how the internal and external equity analysis process occurs
- Describe how the salary structure will be administered
- Outline how pay adjustments will be handled
- Update annually – merit increase considerations
- Incorporate tools utilized

WIPPELL

page 18

Share the Compensation Philosophy and Base Compensation Plan Administration Document

Range Adjustments

- Pay ranges should be reviewed annually to ensure they are still reasonable and competitive within the marketplace. Many organizations adjust their midpoints (and resulting minimums and maximums) based on survey information from valid and reliable surveys.
- Internal and external equity for jobs should be reviewed every three-five years to maintain equity and consistency with the organization's compensation philosophy.

Additional Considerations

- Performance Management Loop

Review and Discuss

Plan Maintenance

After a compensation structure has been designed, it is just as important to maintain its equity and consistency as the organization and market changes. The organization should develop a plan to ensure, at a minimum, the following are addressed on a regular and ongoing basis.

- Keep job descriptions current
- Review pay ranges on an annual basis to ensure they are current and competitive
- Conduct a full review at least every three-five years
- Manage employees falling outside the established salary structure ranges

Communications Plan

- Compensation is an emotional topic
- Important to communicate why and how the compensation plan was developed
- Good communications will show employees you want to be fair and consistent in wage administration

Appendix O-1 – October 2013 Notices to Employees

LETTER TO DEPARTMENT HEADS

Michael S. Loy
Human Resources Director



James E. Tipple
Mayor

MEMORANDUM

TO: Department Head

DATE: October 2, 2013

RE: Pay for Performance Plan – Base Compensation

Enclosed you will find sealed letters detailing individual salary information for each of the employees within your department that will be transitioned to the new pay plan. A copy of each letter is also enclosed for your records. Please distribute each individual's letter and a copy of the compensation philosophy and base compensation plan administration policies (enclosed in envelope). We would like this information to go out on Wednesday October 2nd.

The Human Resources Department is distributing the information at this time and has not set up any departmental presentations at this time. If employees have questions, please direct them to our office. As always, if you would like Human Resources to attend a Department meeting, we will make ourselves available.

Thank you for your help, support and time in the implementation of the new plan.

ACCOMPANYING LETTER TO EMPLOYEES



Michael S. Loy

TEL: (715) 261-6634
FAX: (715) 261-0323

HUMAN RESOURCES DEPARTMENT

October 2, 2013

Dear

The Human Resources Department has been working on a new compensation plan since the fall of 2012. I have included a copy of the Base Compensation Plan Administration. A full report detailing the process, the outcomes, and how the new pay plan will be administered is available on the City's HR Intranet page.

The pay plan project has now been completed and it is ready to go to the Human Resources Committee for their recommendation to Council. The Common Council will be asked for final approval of the new plan at the October 22nd meeting. During the process, the Human Resources Department has met with management to draft and review all job descriptions and has most recently met to discuss the specifics of the plan's implementation with each Department Head.

The new pay plan eliminates the current grade and step increase plans that exist today for all General City employees. The plan's proposed effective date is January 1st, therefore, anyone scheduled to have a step increase through December 31st will still have that increase applied. Outside of the pay plan implementation adjustments, future salary increases will be based on individual performance and where your salary falls within the established salary range.

The following information is specific to you:

- Present Title:
- New Title:
- Present Salary Grade:
- New Salary Grade:
- Current Hourly Rate:

Current Salary Range	Minimum	Mid-Point (Market)	Maximum
New Salary Range	Minimum	Mid-Point (Market)	Maximum

Information on the Transition to the New Pay Plan

The following information is within the request to Council to implement the new pay plan. All transition information and decisions are subject to their approval and may change at any time.

Pay for Performance

6. If your hourly rate is below the minimum rate as of January 1st, 2014, you will be brought up to the minimum rate.
7. If you have been in your position for longer than two years as of January 1st, 2014, and you are below 96% of the Mid-point (Market) rate, then you will be brought up to 96% of the Mid-point.
8. If you are above the maximum rate, your pay rate will be red-lined, and you will be subject to the proposed red-lining practice described below. No employee will have their base rate reduced.
9. Employees who would have an additional step increase in 2014 will receive the prorated dollar value based on their step increase date. This will be paid out as a one-time lump sum in January 2014 and will not build into your base rate.
10. Effective January 1st 2014, base rates will only be adjusted by our annual merit based process. Performance evaluations will be conducted on an annual basis from May through July. Your manager will be reviewing the new evaluation and merit pay program with you during the months of October and November.

The following is an excerpt from the proposed language in the compensation section of the Employee Handbook regarding the practice of redlining.

Current Language:

- (i) **Redlining:** Employees whose salary is determined to be above maximum pay rate in the pay grade established for their job will have their pay rates frozen until such time that the market adjustments bring their current salary within established salary ranges. Before an employee is redlined they must be notified in writing prior to and given adequate time to appeal the decision to the Human Resources Committee.

Language Proposed to be Included to the above section:

An employee who is redlined will remain eligible to receive annual merit increases which exceed their maximum pay rate; however, any merit increase that exceeds a maximum pay rate shall not build into their base rate. The amount of the merit increase which exceeds the salary range will remain available as a one-time lump-sum payment paid during the annual merit increase adjustment period each year.

The new pay plan and performance management system are substantially different than current practices within the organization. As we navigate these changes it will be important for employees who have questions to be in contact with Human Resources. Human Resources staff is willing to speak with employees individually or in department meeting settings. Please relay any requests through your appropriate supervisor so that they can coordinate with operations and to ensure Human Resources staff is available.

Sincerely,

Michael Loy
Director, Human Resources

C: Department Head

Appendix P – Human Resource Committee Minutes, December 3, 2013

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE/TIME: December 3, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), G. Gisselman, D. Nutting, D. Oberbeck
MEMBERS ABSENT: B. Nagle
Also Present: Mayor Tipple, M. Barnes, D. Bohn, P. Czarapata, D. Erickson, N. Giese, B. Graham, A. Jacobson, M. Lawrence, M. Loy, B. Marquardt, M. Pauls

Review Wage Study Results and Process. Loy reminded the committee that they have previously reviewed the process and tools WIPFLI used in developing their recommendations for the new pay plan. Loy asked if the committee had any additional questions on the document or process. The committee was satisfied with previous discussion of the topic and had no further questions.

Amendments to Chapter 5 – Compensation of the Employee Handbook. Loy proposed complete revision of Chapter 5 – Compensation of the Employee Handbook with two additional changes since it was first published in the study document. The first change is in the language for merit increases to accurately reflect how the amount of a merit increase will be calculated. Initially the verbiage stated that a merit increase would be applied by taking the employee’s current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the midpoint of the salary range by the percentage increase based on the employee’s level of performance. The proposed change is to state that a merit increase will be applied by taking the employee’s current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the current rate by the percentage increase established in the annual merit increase decision worksheet based on the employee’s level of performance. The committee had no comments regarding this change of language.

The second proposed change is to the section on redlining. Initially, this section said that any employee whose salary is above the maximum pay rate in the pay grade established for their job would have their pay rate frozen until market adjustments brought their current salary within the established salary ranges. The proposed change allows for any employee who is at or above the maximum rate to be eligible to receive “any portion of any pay increase that exceeds the salary range maximum rate as a lump sum payment to be paid at the time of the adjustment. The lump sum payment would be calculated by taking the hourly rate that exceeds the salary range maximum rate and multiplying it by the annual hours for the position (usually 2080 hours).” Loy explained that this would continue to provide incentive to those who are at or above the maximum for their pay range without further compounding the problem. Over the course of time these employees should be brought back into the pay range as inflation adjustments to the salary ranges occur. Wagner asked if there is a certain group or departments with positions at or above the maximum of their pay range. Loy stated that there is no discernible trend or pattern throughout the organization as to where these positions are. Oberbeck questioned why the organization would continue to give pay increases to an employee who is at or above the top of their pay range. Loy said that all employees should have an incentive to perform well, and if you take away the possibility of receiving any type of incentive, you may be taking away an employee’s drive to keep performing. Wagner asked if redlining will eventually go away, or is it something that the organization will always have issues with. Loy responded that redlining should be a short term issue. However, he said there may always be the possibility of it occurring in the future as an exception, especially with high performers, but it should not be the norm. Wagner said he believes this adds value to the system and doesn’t see any issues if it is something that the organization will grow out of. Nutting agreed. Mayor Tipple asked if the redlining is a symptom of the current salary structure. Loy said yes, that not all jobs excel at the same rate in the job market. The current system has adjusted all positions at the same

Pay for Performance

rate, leading to some positions being underpaid, and some positions being overpaid according to the current market rates. Loy went on to discuss the new pay for performance system and how this will enable department heads to focus on performance of employees rather than the dollar amount of raises. Oberbeck said he would like more information on what “exceptional” means in terms of employee performance presented to the committee. Loy said the best thing that can come out of this new system is for managers to have expanded conversations with their employees about their performance and the overall quality of the City’s job descriptions. Oberbeck said that he envisions an exceptional employee as one that is helping to move the organization forward. Motion by Oberbeck to approve the amendments to Chapter 5 – Compensation of the Employee Handbook. Second by Nutting. All ayes. Motion passes unanimously.

Implementation of New Pay Plan Salary Ranges. Loy reviewed with the committee the steps that were taken to create the new pay plan salary ranges, and stated that employees had questions and concerns when they received the Wage Comparability Study. Loy created an electronic survey for employees and received over 100 responses. The responses indicated that some employees felt that they were graded too low on the internal equity piece of the study, and secondly, employees wanted to know who they were compared to. Because WIPFLI used public and private sector market rates, the information of who employees were compared with is not available; private sector company information remains anonymous and the public sector data is mixed in. After reviewing all of the submitted surveys, Loy sat down with department heads and went over the survey’s feedback. Upon completion of these meetings, some positions were placed in a higher grade due to factors that were not considered by WIPFLI and were unique to our organization. Loy proceeded to review the cost drivers associated with the plan’s implementation as outlined in the memo provided to the committee. Wagner questioned how the appeal’s process would be conducted. Loy stated that he would like the HR Committee to be involved in the appeal’s process. Loy would provide the committee with all the documentation needed to make informed decisions. Oberbeck said the committee should be focusing on voting on the implementation, not the specifics of the plan. Mayor Tipple stated that reclassification requests have been handled by the HR Committee the past several years because the HR staff was not in a position to make those decisions. However, Tipple feels that the HR department can now handle and issues, including appeals that may come about in the new system. Wagner said he trusts the HR department to take care of placement decision within the structure and any appeals process and that would not be a role of the HR Committee. Motion by Nutting to approve the implementation of the new pay plan salary ranges as amended by the HR Director. Second by Oberbeck. All ayes. Motion passes unanimously.



POLICY MEMORANDUM

TO: Human Resources Committee
Jim Tipple, Mayor

FROM: Michael Loy, Director of Human Resources

DATE: November 26th, 2013

RE: Implementation of New Pay Plan Salary Ranges

After reviewing the proposed pay plan based on employee concerns, management feedback, recent recruitment difficulties, compression, reexamination of market data and evaluation of historical internal equity decisions the following recommendations are being made to adjust the plan from WIPFLI's original recommendation.

Assessment

Increase the Property Appraiser from grade 11 to grade 10 and combined the position with the Commercial/Residential Appraiser position into the job title of Appraiser.

Community Development

Increase the Public Housing Manager from grade 7 to grade 6.
Increase the Housing Project Coordinator position from grade 15 to grade 13.

DPW & Utilities

Inspections

Increase the Chief Inspector – Zoning Administrator from grade 8 to grade 7.

Planning

Increase the City Planner from grade 8 to grade 7.

Engineering

Increase the GIS Analyst from grade 10 to grade 9.

Construction & Street Maintenance

Increase the Equipment Services Mechanic from grade 13 to grade 12.
Increase the Senior Equipment Services Mechanic from grade 12 to grade 11.
Increase the Traffic Maintainer from grade 17 to grade 14.
Increase the Stockroom Specialist from grade 17 to grade 16.

Utilities

Increase the Water Plant Operator from grade 12 to grade 11.
Increase the Senior Plant Maintenance Mechanic from grade 12 to grade 11.
Increase the Senior Sewer Maintainer from grade 13 to grade 11.
Increase the Plant Maintenance Mechanic from grade 13 to grade 12.
Increase the Water Distribution Maintainer from grade 15 to grade 14.
Increase the Sewer Maintainer from grade 15 to grade 14.

Parking

Increase the Parking Operations Worker from grade 18 to grade 17.

Fire

Increase the Division Chief-Emergency Medical Service from grade 9 to grade 8.

Increase the Office Assistant-Fire from grade 16 to grade 14.

Metro Ride

Increase Transit Operations Manager from grade 9 to grade 8.

Increase Paratransit Coordinator from grade 13 to grade 10.

Increase Transit Operations Supervisor from grade 13 to grade 10.

Increase Confidential Administrative Specialist-Transit from grade 15 to grade 14.

There are 24 positions being recommended for adjustment. The amended final pay structure is attached.

Financial Impact:

In the transition there are three cost drivers associated with this plan's implementation:

- 1) The phase out of the step system by paying out the prorated dollar amount of any steps that would have been received in 2014 as a one-time lump sum payment
- 2) Any market adjustments required for those under the minimums or those with more than two years of service that are not within the mid-point or market range (0.96-103%)
- 3) The merit adjustment pool available for performance related increases.

The 2014 Budget included sufficient funding for a 2% increase on January 1st (the same adjustment that was previously agreed upon with City's three unions) in addition to any step increases employees would have received under the current plan. The cost of the transition and implementation from the current plan to the new plan will fall within the total salary and associated benefits approved for the 2014 budget. Therefore, there is no financial impact estimated as the merit budget will be based on available dollars within the approved 2014 salary and benefits budgets.

Recommendation and Motion Sought: It is recommended and requested that the adjusted merit based pay plan salary ranges outlined in the attached document be implemented as recommended.



POLICY MEMORANDUM

TO: Human Resources Committee
Jim Tipple, Mayor

FROM: Michael Loy, Director of Human Resources

DATE: November 26th, 2013

RE: Amendments to Chapter 5-Compensation of the Employee Handbook

Issue: Whether to adopt amendments to Chapter 5-Compensation of the Employee Handbook.

Background: The City of Wausau partnered with WIPFLI to issue a Wage Comparability Study for all non-union "general" City employees. In addition to reviewing current pay to market rates, the City worked with WIPFLI to develop a new merit based compensation system. The original Wage Comparability Study document included a Base Compensation Plan Administration Policy that was drafted as an administration guide for the new merit based compensation system. This policy is needed to effectively manage and administer the proposed merit based system. The final proposed policy language is attached. There are two proposed changes that have been incorporated into this latest proposal that differ from the Wage Comparability Study policy.

5.02 (3) (b) Merit Increases

Previous language: A merit increase is applied by taking the employee's current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the ~~midpoint of the salary range by the percentage increase~~ based on the employee's level of performance.

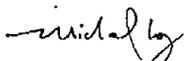
Proposed amendment: A merit increase is applied by taking the employee's current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the current rate by the percentage increase established in the annual merit increase decision worksheet based on the employee's level of performance.

5.02 (3)(i) Redlining

Previous language: Redlining: Employees whose salary is determined to be above the maximum pay rate in the pay grade established for their job will have their pay rates ~~frozen~~ until such time that the market adjustments bring their current salary within established salary ranges. Before an employee is redlined they must be notified in writing prior to and given adequate time to appeal the decision to the Human Resources Committee.

Proposed amendment: Redlining: Employees whose salary is determined to be above the maximum pay rate in the pay grade established for their job will have their pay rates redlined until such time that the market adjustments bring their current salary within established salary ranges. The redlining procedure does not allow for an employee's base rate to be adjusted above the salary range maximum rate. Once adjusted to the maximum salary rate, employees remain eligible to receive any portion of any pay increase that exceeds the salary range maximum rate as a lump sum payment to be paid at the time of the adjustment. The lump sum payment will be calculated by taking the hourly rate that exceeds the salary range maximum rate and multiplying it by the annual hours for the position (usually 2,080 hours). Before an employee is redlined they must be notified in writing prior to and given adequate time to appeal the decision to the Human Resources Committee.

Discussion: The first amendment to the proposed policy is to relieve an unnecessary constraint that the previous language would have put on the new pay system. The initial language would use the mid-point (market rate) as the basis for the base rate increase calculation as opposed to the employee's current pay rate. This would have effectively moved employees up to the market rate quickly but would have constrained pay increases for those above the market rate. For example, if the employee was eligible for a 2% increase the original language would


 Michael Loy
 Director of Human Resources

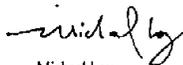
Page 1 of 2 Meeting Date: 12/3/13 Item #: 3(b)

have allowed those under the market rate to receive more than a 2% increase and those above the market rate would have received less than a 2% increase. That was not the intent of the system. If an individual is allocated a 2% merit adjustment, that adjustment should equal 2%.

The second amendment is intended to maintain an incentive for those at the very top of their pay range. In most redlining procedures an individual's rate is frozen once they reach the maximum salary range rate and they are no longer eligible for any increases. Staff believes this is counterproductive to the merit based nature of the system and would unnecessarily stymie performance motivation while saving relatively little. In the proposed amendment, the employee would be allowed to have their merit adjustment apply to their base rate up to the salary range maximum but any amount above that rate would not build towards their base rate. Instead the employee would receive that amount in an annualized lump sum payment. The amendment would allow employees at the top of their salary range the incentive to have their performance compensated while at the same time not allowing the system to exceed its designed limits. Over the short course of time, with inflation adjustments to the salary ranges, employees who are redlined would again become eligible for full or partial merit increases that would apply to their base rates.

Financial Impact: The financial impact is dynamic and hard to predict without knowing the performance levels for employees in 2014 and beyond. There are a limited number of employees that would be redlined under the new plan and it is estimated that they would fall back into salary ranges with the application of 1-2 inflationary adjustments that are anticipated to occur in 2015 and 2016. Beyond that, it is again difficult to predict the financial impact because of the implication that performance has on future adjustments and the relative unknown of future performance levels. Overall, the long-term implication is that the proposed redlining policy would cost more than a traditional policy; however, staff believes that proposed policy will benefit the City in productivity and morale at a greater level than the savings of the traditional redlining policy.

Motion Sought: To adopt and replace in their entirety, Employee Handbook Sections 5.01-Compensation Philosophy and 5.02 Base Compensation Administration as proposed in the attached document.


Michael Loy
Director of Human Resources

Page 2 of 2 Meeting Date: 12/3/13 Item #: 3(b)

Appendix S – Common Council Packet, Prepared for December 10, 2013 Meeting

CITY OF WAUSAU, 407 Grant Street, Wausau, WI 54403

RESOLUTION OF THE HUMAN RESOURCES COMMITTEE

Authorizing Implementation of a New Pay Plan for General City Employees by Adoption of the Amended Compensation Philosophy, Base Pay Plan Administration Procedures, and New Salary Grade Structure.

Committee Action: Approved 3-0

Fiscal Impact: Included in 2014 Budget

File Number:

Date Introduced: December 10th, 2013

RESOLUTION

WHEREAS, your Human Resources Committee recognizes the fiscal necessity of a clearly defined specific compensation policy and schedule that directs employee wages, and

WHEREAS, your Human Resources Committee authorized staff to engage in a wage comparability and compensation study to review current pay rates to available market data and develop a new merit based pay system, and

WHEREAS, market data was reviewed and used to develop a new merit based salary grade structure, and

WHEREAS, recommendations were reviewed and drafted to update the City's compensation philosophy and base pay plan policies and procedures necessary to administer the new merit based salary plan, and

WHEREAS, Compensation Philosophy, Base Pay Plan Administration Procedures, and a new Salary Grade Structure has been created and approved at the December 3rd Human Resources Committee that sets compensation policies and salary ranges for all general city employees, and

WHEREAS, the Compensation Philosophy and Base Pay Plan Administration Procedures shall be incorporated into the Employee Handbook as amended by the committee and attached hereto, and

WHEREAS, your Human Resources Committee has reviewed, studied, and discussed the Wage Study process and data provided, Compensation Philosophy, Base Pay Plan Administration Procedures, and new Salary Grade Structure and recommends adoption, including proposed plan implementation procedures, as attached to this resolution in its entirety and as amended by the Human Resources Committee.

NOW THEREFORE BE IT RESOLVED by the Common Council of the City of Wausau that the Compensation Philosophy, Base Pay Plan Administration Procedures, and new Salary Grade Structure for General City Employees, as stated and specified above, is approved and adopted to be effective as of January 1st, 2014.

Approved:

James E. Tipple, Mayor

DRAFT

**CITY OF WAUSAU HUMAN RESOURCES COMMITTEE
MINUTES OF OPEN SESSION**

DATE/TIME: December 3, 2013 at 4:30 p.m.
LOCATION: City Hall (407 Grant Street) – Board Room
MEMBERS PRESENT: R.Wagner (C), D. Nutting, D. Oberbeck
MEMBERS ABSENT: B. Nagle, G. Gisselman (left the meeting prior to these items),
Also Present: Mayor Tipple, M. Barnes, D. Bohn, P. Czarapata, D. Erickson, N. Giese, B. Graham,
A. Jacobson, M. Lawrence, M. Loy, B. Marquardt, M. Pauls

Review Wage Study Results and Process. Loy reminded the committee that they have previously reviewed the process and tools WIPFLI used in developing their recommendations for the new pay plan. Loy asked if the committee had any additional questions on the document or process. The committee was satisfied with previous discussion of the topic and had no further questions.

Amendments to Chapter 5 – Compensation of the Employee Handbook. Loy proposed complete revision of Chapter 5 – Compensation of the Employee Handbook with two additional changes since it was first published in the study document. The first change is in the language for merit increases to accurately reflect how the amount of a merit increase will be calculated. Initially the verbiage stated that a merit increase would be applied by taking the employee’s current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the midpoint of the salary range by the percentage increase based on the employee’s level of performance. The proposed change is to state that a merit increase will be applied by taking the employee’s current rate of pay, identifying which quintile that rate of pay is in, and then multiplying the current rate by the percentage increase established in the annual merit increase decision worksheet based on the employee’s level of performance. The committee had no comments regarding this change of language.

The second proposed change is to the section on redlining. Initially, this section said that any employee whose salary is above the maximum pay rate in the pay grade established for their job would have their pay rate frozen until market adjustments brought their current salary within the established salary ranges. The proposed change allows for any employee who is at or above the maximum rate to be eligible to receive “any portion of any pay increase that exceeds the salary range maximum rate as a lump sum payment to be paid at the time of the adjustment. The lump sum payment would be calculated by taking the hourly rate that exceeds the salary range maximum rate and multiplying it by the annual hours for the position (usually 2080 hours).” Loy explained that this would continue to provide incentive to those who are at or above the maximum for their pay range without further compounding the problem. Over the course of time these employees should be brought back into the pay range as inflation adjustments to the salary ranges occur. Wagner asked if there is a certain group or departments with positions at or above the maximum of their pay range. Loy stated that there is no discernible trend or pattern throughout the organization as to where these positions are. Oberbeck questioned why the organization would continue to give pay increases to an employee who is at or above the top of their pay range. Loy said that all employees should have an incentive to perform well, and if you take away the possibility of receiving any type of incentive, you may be taking away an employee’s drive to keep performing. Wagner asked if redlining will eventually go away, or is it something that the organization will always have issues with. Loy responded that redlining should be a short term issue. However, he said there may always be the possibility of it occurring in the future as an exception, especially with high performers, but it should not be the norm. Wagner said he believes this adds value to the system and doesn’t see any issues if it is something that the organization will grow out of.

Nutting agreed. Mayor Tipple asked if the redlining is a symptom of the current salary structure. Loy said yes, that not all jobs excel at the same rate in the job market. The current system has adjusted all positions at the same rate, leading to some positions being underpaid, and some positions being overpaid according to the current market rates. Loy went on to discuss the new pay for performance system and how this will enable department heads to focus on performance of employees rather than the dollar amount of raises. Oberbeck said he would like more information on what “exceptional” means in terms of employee performance presented to the committee. Loy said the best thing that can come out of this new system is for managers to have expanded conversations with their employees about their performance and the overall quality of the City’s job descriptions. Oberbeck said that he envisions an exceptional employee as one that is helping to move the organization forward. Motion by Oberbeck to approve the amendments to Chapter 5 – Compensation of the Employee Handbook. Second by Nutting. All ayes. Motion passes unanimously.

Implementation of New Pay Plan Salary Ranges. Loy reviewed with the committee the steps that were taken to create the new pay plan salary ranges, and stated that employees had questions and concerns when they received the Wage Comparability Study. Loy created an electronic survey for employees and received over 100 responses. The responses indicated that some employees felt that they were graded too low on the internal equity piece of the study, and secondly, employees wanted to know who they were compared to. Because WIPFLI used public and private sector market rates, the information of who employees were compared with is not available; private sector company information remains anonymous and the public sector data is mixed in. After reviewing all of the submitted surveys, Loy sat down with department heads and went over the survey’s feedback. Upon completion of these meetings, some positions were placed in a higher grade due to factors that were not considered by WIPFLI and were unique to our organization. Loy proceeded to review the cost drivers associated with the plan’s implementation as outlined in the memo provided to the committee. Wagner questioned how the appeal’s process would be conducted. Loy stated that he would like the HR Committee to be involved in the appeal’s process. Loy would provide the committee with all the documentation needed to make informed decisions. Oberbeck said the committee should be focusing on voting on the implementation, not the specifics of the plan. Mayor Tipple stated that reclassification requests have been handled by the HR Committee the past several years because the HR staff was not in a position to make those decisions. However, Tipple feels that the HR department can now handle and issues, including appeals that may come about in the new system. Wagner said he trusts the HR department to take care of placement decision within the structure and any appeals process and that would not be a role of the HR Committee. Motion by Nutting to approve the implementation of the new pay plan salary ranges as amended by the HR Director. Second by Oberbeck. All ayes. Motion passes unanimously.

Appendix T – Employee Notices for Immediate Implementation



Michael S. Loy

TEL: (715) 261-6634
FAX: (715) 261-0323

HUMAN RESOURCES DEPARTMENT

December 30, 2013

Dear

The Common Council approved the proposed Compensation Pay for Performance Plan at the December 10, 2014 meeting.

As we communicated in October, the new pay plan eliminates the current grade and step increase plans that exist today for all General City employees. Future salary increases will be based on individual performance and where your salary falls within the established salary range.

After the initial communication back in October, Human Resources have had many discussions with individual employees, managers and department heads. As a result of those discussions, your position’s grade and salary range has changed.

New Title:

New Salary Grade:

New Salary Range	Minimum	Mid-Point (Market)	Maximum

Appeals Process.....

Sincerely,

Michael Loy
Director, Human Resources



Michael S. Loy

TEL: (715) 261-6634
FAX: (715) 261-0323

HUMAN RESOURCES DEPARTMENT

January 6, 2014

Dear (**letter-new rate of pay 1-1-14**)

The Common Council approved the proposed Compensation Pay for Performance Plan at the December 10, 2014 meeting.

It is the intent of the new compensation plan to place employees appropriately in their salary range. One of these two factors may apply in your situation with the transition to the new pay plan.

- If you have two years of experience in your current position, your new base rate will be at the 96th percentile of the salary range.
- If your current base rate is below the minimum, your new rate will be the new minimum.

Effective January 1, 2014, your base hourly rate of pay will be \$xx.xx.

As we communicated in October, the new pay plan eliminates the current grade and step increase plans that exist today for all General City employees. Future salary increases will be based on individual performance and where your salary falls within the established salary range.

Human Resources had implemented a process to appeal. If you would like to appeal, please contact Human Resources for the appropriate paperwork.

Sincerely,

Michael Loy
Director, Human Resources



Michael S. Loy

TEL: (715) 261-6634
FAX: (715) 261-0323

HUMAN RESOURCES DEPARTMENT

January 9, 2014

Dear **(LUMP SUM MASTER LETTER)**;

The Common Council approved the proposed Compensation Pay for Performance Plan at the December 10, 2014 meeting.

As we communicated in October, the new pay plan eliminates the current grade and step increase plans that exist today for all General City employees. Future salary increases will be based on individual performance and where your salary falls within the established salary range.

As part of the transition to the new pay plan, employees who would have had a step increase in 2014 will receive the prorated dollar value based on their step increase date. This will be paid out as a one-time lump sum payment on the January 24, 2014 payroll check and will not be built into your base rate.

Your lump sum payment will be **\$(amount)** with all applicable taxes deducted.

If you have additional questions as we implement the new system or wish to appeal, please contact Human Resources for the appropriate paperwork.

Sincerely,

Michael Loy
Director, Human Resources

Appendix U – HR Committee – Overview of Performance Evaluation System

CITY OF WAUSAU HUMAN RESOURCES COMMITTEE MINUTES OF OPEN SESSION

DATE/TIME: March 10, 2014 at 4:30 p.m.
 LOCATION: City Hall (407 Grant Street) – Board Room
 MEMBERS PRESENT: R. Wagner (C), G. Gisselman, W. Nagle, D. Nutting, D. Oberbeck
 Also Present: Mayor Tipple, D. Bohn, N. Giese, A. Jacobson, J. Kannenberg, M. Loy

Overview of the City’s New Performance Evaluation System. Loy presented the committee with a document that provided an overview of the new performance evaluation system, copies of the three performance evaluation forms that will be used for employees, management, and department heads, and a copy of the customer feedback form. Loy explained to the committee that the new performance evaluation system is ready to be rolled out to the organization and went over the list of outcomes that should occur and the priorities of the performance evaluation process. Wagner asked if union employees would be using the same performance evaluations. Loy said all employees will be using the same performance evaluation forms; however, union employees will receive pay increases according to their contracts rather than based on performance. A timetable was included in the overview document, outlining the evaluation process and when steps are to be completed; Loy covered the steps of the timetable with the committee in greater detail. Loy reviewed the format of the performance evaluations and differences between the three evaluations. A conversation took place about the marginal, proficient, and exceptional rating steps and the performance bell curve. Loy said that the organization will continue to evaluate the system and see what impact it is having and any challenges that departments are having. Loy spent time explaining the competency section of the evaluation, explaining that if a manager wants to rate someone as marginal or exceptional, details will need to be provided explaining the rating. Oberbeck asked if departments should have exceptional defined before the evaluations take place. Conversation took place over how to define marginal, proficient, and exceptional behavior specifically. Loy said that it is in the hands of the managers, not human resources, to define marginal and exceptional for employees they are rating. Loy reviewed the goals section of the evaluation and the overall rating section. Oberbeck asked if all the evaluations that are rated as exceptional could be brought to the HR Committee (without names) to get a better understanding of what an exceptional employee looks like. Gisselman said that reviewing performance evaluations would be micro-managing. Wagner suggested that the department heads come to HR Committee to give an overview of performance in their department. Loy suggested that the process be gone through, the committee looks at the data that will be available, and then determine if the new system is driving performance. Further discussion of evaluation system took place. Loy then went over the pay integration process and how pay increases will be calculated. Wagner asked what would happen if no employees were rated as exceptional. Loy said that the department would risk losing good performers by not differentiating. Lastly, Loy went over the Customer Feedback Form and its intent.

Overview of City’s New Performance Evaluation System

Outcomes of the New Evaluation System

1. All employees will have an evaluation completed every year.
2. Pay increases will be based on performance (except bargaining units)
3. All employees will set and be held accountable for development and organizational goals.
4. System will be conduit for succession planning activities.

Five Priorities in our Performance Evaluation Process

1. To provide an opportunity to clarify job duties, performance expectations, and goals.
2. To summarize past performance discussions.
3. To provide a blueprint for future performance.
4. Identify employees with potential for advancement.
5. Provide a fair basis for awarding compensation based on merit.

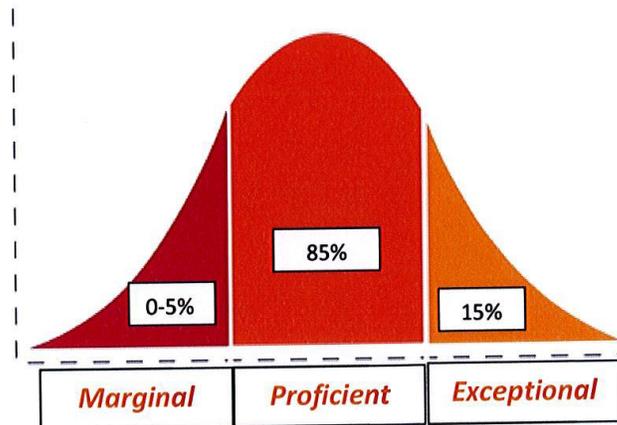
Annual Timetable

Task	Deadline
Training for employees and management	March 13 th & 14 th
Self-evaluations and copy of current job description sent to all Employees	April 1 st
Self-Evaluation and Self-Evaluation Form Completed and Returned to the Rate	April 14 th
Draft Evaluation Completed and Approved by Department Head – Sent to Human Resources	May 9 th
Human Resources Releases Final Evaluations and Pay Increases to Raters	May 30 th
Evaluation Meetings Begin	June 1 st
Evaluation Meetings End	June 30 th
Merit Pay Applied	2 nd Pay Period of July

Organization of the Performance Evaluations

1. Mandatory Review of Job Description
2. Core Values
3. Competency Evaluation
4. Performance Factors
5. Prior Year’s Performance Goals
6. Performance Goals for the Upcoming Year
7. Personal Career/Development Goals
8. Overall Ratings
9. Comments
10. Signatures

Performance Bell Curve



Competencies

Employee	Management	Leadership
Communicativeness	High Standards & Results Orientation	Strategic Thinking
Team Player	Team Management	Influence
Customer Orientation	Organization & Planning	Relationship Building
Initiative	Talent Management	Vision
Positive Impact	Positive Impact	Risk Taking
Problem Solving & Decision Making		

Integration with Pay

		Position-in-Range (Quintiles)				
		Ist	2nd	3rd	4th	5th
		(80-87%)	(88-95%)	(96-104%)	(105-112%)	(113-120%)
Performance Rating		0.06	0.24	0.36	0.25	0.09
Exceptional	0.15	4.0	3.5	3.0	2.5	2.0
		0.036	0.126	0.162	0.094	0.027
Proficient	0.85	3.5	3.0	2.5	2.0	1.5
		0.168	0.576	0.720	0.400	0.108
Marginal	0.00	0.0	0.0	0.0	0.0	0.0
		0.000	0.000	0.000	0.000	0.000