

Chapter 8 – Compensation Administration

COMPENSATION POLICY

It is the policy of the Town of Milford to provide a Compensation Program which is logical and predictable to employees, recognizes and rewards an individual's performance and contributions to the community; is competitive in the labor market; and meets the Town's objectives.

PURPOSES OF COMPENSATION PROGRAM

- To attract and retain competent personnel.
- To make clear to all employees how they will be paid and what their compensation opportunities are.
- To provide personnel with compensation opportunities which are related to their responsibilities, skills, and accomplishments.
- To identify differentials among positions based on relative differences in position responsibilities, skills, knowledge, etc.
- To provide incentives for improved performance and acceptance of additional responsibility by establishing pay ranges for each position and providing opportunities for promotion.
- To establish a competitive relationship between pay ranges and payment practices in our labor market.
- To maintain an effective organization designed to meet current and future business needs.
- To provide a systematic means of controlling compensation expenditures.
- To maintain effective communication of Compensation Policy throughout the various Town departments.

CHECKLIST FOR EFFECTIVE COMPENSATION ADMINISTRATION

The key responsibilities of managers and supervisors in administering this program are outlined below:

- Ensure that you and the employees reporting to you understand the Compensation Plan and how it works.

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- Maintain accurate and up-to-date position descriptions relating to specific job accountabilities.
- Ensure that each subordinate understands and agrees to the accountabilities of the position.
- Complete a Performance Appraisal and conduct a Performance Review at least annually for each employee.
- Determine the amount and timing of increases for employees using the appropriate Compensation Increase Guide.
- Provide individual counseling and setting of goals to further job performance.

DEFINITIONS

ACCOUNTABILITIES:	The end-results for which a position is responsible.
PERFORMANCE ADJUSTMENT:	An increase within the pay range earned by an employee based primarily on the supervisor's rating of the employee's past performance
PAY PLAN ADJUSTMENT:	An adjustment (usually percentage) made to the entire pay plan (usually including the employees in it) by the Town.
PAY RANGE:	The dollar values established for each position level consisting of minimum, midpoint, and maximum.
DEMOTION:	Non-voluntary / disciplinary reassignment to a position having a lower level than the previous position.
PERFORMANCE APPRAISAL:	The written evaluation of an employee's performance against the principal accountabilities and basic purpose of the position.
PERFORMANCE REVIEW:	The meeting between the supervisor and the employee to discuss the performance appraisal.
POSITION DESCRIPTION:	Formal written description of the basic requirements, function, scope, and principal accountabilities for every position. Utilized as an aid in the comparison and evaluation of jobs, it is also used for other purposes such as selection and development.
UPWARD REALLOCATION:	Refers to a situation in which the Town takes an existing position in the classification plan and re-slots the position to a higher pay range than presently classified. An upward reallocation would not be posted because there are no new positions or vacancies to be filled.

UPWARD RECLASSIFICATION: Refers to a situation in which the Town determines that a qualified employee is regularly required to perform duties and hold responsibilities which are substantially greater than the job classification to which he or she is assigned. In such a case, the employee is re-assigned or reclassified to a higher existing classification if there is an appropriate existing classification or to a higher newly-created classification. Again, there are no vacancies involved so there is no need for any job posting.

Promotion is very different than Reallocation and Reclassification. With promotions there is always a vacancy in a new or existing position classification that needs to be filled.

PROMOTION: The advancement of an employee from one position in the work place to a position of more significance and increase in base salary.

TRANSFER: Reassignment of an employee to a position having an equivalent or lower grade than that employee's previous position. Transfers to an equivalent or lower grade may be voluntary at the request of the employee or, at the discretion of the Town, employees may be involuntarily transferred to a position having an equivalent grade as that employee's previous position.

FORMAL EVALUATION PROCEDURE

To ensure that employees are performing satisfactorily, to recognize superior performance, and to serve as an aid to employees in developing their talents – as well as to aid in the selection of employees for promotion – the Town has devised a Formal Evaluation Procedure. New employees will be evaluated as to performance and potential at the expiration of the normal probationary period (6 months) and, perhaps, before, as necessary. Thereafter, employees will be evaluated at least once a year.

The employee and the supervisor will sit down in private session at least once per year to discuss the job and the employee's progress in it. Employees should consider the evaluations as being an assistance and learning process and should discuss all questions they may have with the supervisor. A written report of the interview session is made by the supervisor for the employee and the employee's personnel file.

All eligible employees will be evaluated annually for performance and the reviews are to be forwarded to the Human Resource Department by not later than the last day of February of each calendar year in order to be considered for a pay adjustment to be effective the first full pay period in April following Town Meeting vote. If the budget has been

approved at Town Meeting, the Human Resources Director will return the performance reviews to the appropriate Department Head/Supervisor for review with the employee(s). The written performance appraisal evaluation **must** be discussed with – and shown to – the employee, who should then read and sign the performance evaluation form in order to acknowledge that the review was conducted. The employee's signature on the form does not signify that the employee necessarily agrees with the evaluation – only that the employee has seen it and that it has been reviewed with the employee by the supervisor. **NOTE:** Increases will not go into effect until this meeting between the Department Head/Supervisor and the employee has taken place and the review has been returned to the Human Resource Department acknowledging same, such action to take place no later than April 1st.

It should be noted, however, that formal evaluation appraisals and reviews and/or discussion of performance may occur at any time. Department Heads/Supervisors are encouraged to provide a mid-year assessment of where the employee stands with regard to the achievement of annual goals set out in the annual performance evaluation.

Employment Probationary Review:

An employee evaluation is to be performed by the end of the sixth (6th) month of employment in order to allow the employee to pass from probationary to regular status. It is the policy of the Milford Board of Selectmen that any employees hired to work for the Town of Milford are to be compensated at an appropriate and competitive wage within the industry standard for that position. As such, no increase shall be granted following completion of the probationary period unless said increase has been approved by the Town Administrator (and concurred with by the Board of Selectmen) prior to any offer of employment being tendered. The 6-month review is to be considered a performance review only and not a pay review. In the event that the employee has not satisfactorily completed his/her probationary period due to that employee's performance falling below expectation, this probationary period may, at the discretion of the Department Head, be extended an additional six (6) months. At no time will the probationary period be extended beyond one (1) year from date of hire. During the probationary period, an employee may be terminated without cause by the Town.

Review Due To Voluntary Transfer:

An employee who voluntary accepts a transfer from one job level to an equal or lower job level will be evaluated within six (6) months of assuming the new position in order to determine that the employee has successfully achieved the minimum qualifications of the new position. Unless previously approved by the Town Administrator (and concurred with by the Board of Selectmen), this review is to be considered a performance review only and not a pay review. In the event that the employee has not satisfactorily completed his/her probationary period due to that employee's performance falling below expectation, this period may, at the discretion of the Department Head, be extended an additional six (6) months. At no time will the probationary period be extended beyond one (1) year from date of transfer. If the probationary period is unsuccessful, the employee may be returned to his/her former position - or to a similar position – if such a position is available.

Promotional Probationary Review:

An employee promoted from a lower job level to a higher job level will be evaluated within six (6) months of assuming the new position in order to determine that the employee is satisfactorily performing in the new position. It is the policy of the Milford Board of Selectmen that any employees who are promoted to a higher position within the Town structure are to be compensated at an appropriate and competitive wage within the industry standard for that position. As such, no increase shall be granted following completion of the probationary period unless said increase has been approved by the Town Administrator (and concurred with by the Board of Selectmen) prior to any promotion being tendered. The 6-month review is to be considered a performance review only and not a pay review. In the event that the employee has not satisfactorily completed his/her probationary period due to that employee's performance falling below expectation, this period may, at the discretion of the Department Head, be extended an additional six (6) months. At no time will the probationary period be extended beyond one (1) year from date of promotion.

Annual Review:

Annual Reviews of employees are to be conducted in accordance with the following procedures:

Reviews will be forwarded to all Department Heads by the 15th of December of any given year for completion by the last day of February.

Employee self-evaluations are allowed and encouraged as part of the annual review process, however, the Supervisor/ Department Head is to use this employee self-evaluation only as a tool. The Supervisor/Department Head is not relieved of the responsibility to conduct his/her own formal annual review of his/her personnel.

Each review form is to be completed by the employee's immediate Supervisor, forwarded to the Department Head for review and recommendation, and then forwarded to the Human Resource Office for review by not later than the last day of February.

Immediately following Town Meeting (Ballot Session), the Supervisor and/or Department Head will conduct a formal performance review with the employee.

The employee will be given the opportunity to make written comments on the appraisal and will sign the Appraisal Form. This signature is an acknowledgment only that the review has been conducted.

If the employee does not wish to sign, the person conducting the Performance Review will so indicate by stating "Did not wish to sign," and initial this statement.

After the review, the Appraisal Form is to be submitted to the Human Resource Office by not later than the last day of March.

For newly hired or promoted employees, the following schedule will be followed:

HIRE DATE	PROBATIONARY REVIEW	PAY RAISE DATE	NEXT ANNUAL RAISE
January	July	April	April
February	August	April	April
March	September	April	April
April	October	April	April
May	November	May	April
June	December	June	April
July	January	July	April
August	February	August	April
September	March	September	April
October	April	October	April
November	May	November	April
December	June	December	April

Following this “phase in” schedule, the employee would then be reviewed annually in January/February for a pay increase in April after approval at the March Town Meeting (i.e., Ballot Session).

COMPENSATION ADJUSTMENT

The Town has established the following approach to making adjustments in Pay Plan compensation.

Employees in an existing position in the Town’s Pay Plan are generally hired at a beginning level rate in the pay range to which their position is allocated. From there, employees are expected to progress annually by receiving performance increases up through the range steadily with satisfactory or better performance until they reach the top or market rate for that position. If, at any time, performance is not satisfactory, employees will be so informed and given an opportunity to improve. If performance remains unsatisfactory after one or more warnings, discipline up to and including discharge may occur.

It is the responsibility of the Town to adjust the entire plan (including the pay of the employees in it) annually or quite regularly so that the entire plan remains continuously reflective of the market.

Accordingly, there are typically two types of pay plan adjustments an employee in an existing position may receive:

Performance Adjustments:

A Performance Adjustment is a pay adjustment granted to an employee which moves the employee up, usually annually, in the existing pay range until they reach the top of that pay range. The single most important determinant of whether a performance increase has been earned is the Supervisor's/Department Head's rating of the employee's performance during the evaluation period. The percentage of a Performance Adjustment will vary depending on the performance of the employee and the type of increase being recommended. The amount of such increase will depend on the following variables:

- The Supervisor's/Department Head's evaluation of performance in relation to the standards of the position.
- Additional compensation may be granted to employees when they have been earned through commendable or outstanding performance and are intended to serve as a reward for past performance as well as an incentive for continued distinguished performance.
- All such increases must be approved by the Town Administrator (and concurred with by the Board of Selectmen) before becoming effective.
- Employees who have reached the maximum of the pay range for their job class (as all employees are expected to do) are being paid what the Town considers to be the top or market rate for that position. Employees who reach this rate will still receive Pay Plan Adjustments (see below) so that that rate stays where it should be. Such employees will continue to be reviewed annual for performance. Opportunities for pay advancement (outside-range) for these employees include promotion, upward reallocation, or upward reclassification.

Pay Plan Adjustment:

In order to keep the Town's pay plan competitive, the Town has the responsibility to adjust the entire pay plan annually or other regular basis, as determined by the Board of Selectmen. The factors which the Board would typically take into consideration in making this adjustment would be its perception of where the Town stands in the market, similar increases recently granted by other towns, the Town's ability to pay, and the Cost of Living (COL) as measured by some index; e.g., Department of Labor Consumer Price Index (CPI).

COMPENSATION ADJUSTMENT ASSOCIATED WITH JOB CHANGE

There are a number of avenues by which employees may move from one pay range to another within the Pay Plan:

Promotional:

When an employee is promoted, he/she is reassigned to a job in a higher pay range.

- The promoted employee's pay will be raised to the minimum compensation for the new job class or increased 5%, whichever is greater, effective the first full pay period following the promotion.
- A promotional increase does not change the employee's annual review date.

Upward Reclassification:

When an employee is reclassified upward, he/she also moves to a job class in a higher

pay range.

- The reclassified employee's pay will be raised to the minimum compensation for the new job class or increased 5%, whichever is greater, effective the first full pay period following the upward reclassification.
- A reclassification increase does not change the employee's annual review date.

Upward Reallocation:

When an employee receives an upward reallocation, his/her job class is reallocated to a higher pay range.

- The reallocated employee's pay will be raised to the minimum compensation for the new job class or increased 5%, whichever is greater, effective the first full pay period following the upward reallocation.
- A reallocation increase does not change the employee's annual review date.

Transfers:

When an employee is transferred to a job having an equal or lesser position value than that employee's current position, the following shall apply:

- If the employee's current job class is in the same pay range as the new job class, the employee shall maintain his/her current rate of pay.
- If the employee's current compensation is greater than the maximum compensation for the new job class, the employee's compensation will be reduced to the maximum of the compensation range.

Deferment:

Employees who have not yet reached the top of their pay range and who have not performed in an overall satisfactory manner may have their annual performance adjustment deferred until satisfactory performance has been demonstrated. The scheduled performance appraisal will be completed by the immediate Supervisor and forwarded with the recommended deferment to the Department Head for comments and recommendation, and then forwarded to the Town Administrator's Office for review, approval and processing.

- Employees will be eligible for re-evaluation within one to three months from date of scheduled review.
- Employees receiving an increase in compensation upon re-evaluation will be reviewed at the next annual review.

Demotion:

When an employee is demoted to a job class in a lower pay range, that employee's compensation will be adjusted downward to a rate in the demoted position's pay range which is typically the top of the pay range of the demoted job class or 5% less than the current rate of the employee, whichever is less.

The Milford Board of Selectmen reserves unto itself the right to deviate from this policy as circumstances and merit may warrant.