Michigan Association for Local Public Health

Compensation Plan

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Table of Contents

COMPENSATION TERMS DEFINED

Bonus – a periodic or a one-time payment received in addition to the employee's regular rate of pay.

Demotion – a demotion occurs when an employee is placed in a position in a lower pay range. Demotions may be voluntary and mutually agreed upon or involuntary due to inadequate job performance or organizational restructuring.

External Equity – pay aligned with similarly market valued positions outside the organization.

Internal Equity – pay aligned with similarly market valued positions within the organization.

Job Description – a written document that details the duties, responsibility, qualifications, and physical requirements needed for successful performance in a position.

Lateral Transfers – a job change within the same pay range.

Lump Sum Payment – a periodic payment that is based on a percentage of base pay but not added to base pay.

Maximum of the Pay Range – the highest pay rate that will be paid for a position in a given range. The maximum is the top of the fourth quartile in the pay range.

Minimum of the Pay Range – the lowest pay rate that will be paid for a position in a given range. The minimum is the bottom of the first quartile of the pay range.

Midpoint of the Pay Range – the position in the pay range from which quartiles are calculated. Represents the market-based pay rate for an employee who is fully trained and qualified. The midpoint is the bottom of the third quartile.

Pay Range – the minimum to the maximum pay for a given pay range.

Pay Range Scale – also referred to as pay scale. Contains all the pay ranges and the positions within each range.

Percentile – a value that indicates a pay rate relationship to the pay range scale.

Promotion – a move where an employee is awarded a position in a higher pay range. A promotion indicates the employee will be assuming duties at a higher level than his/her previous position.

Position Revalue – a change in the classification of a position due to changes in the duties and responsibilities of the position or an increase of the value of a position in the market.

Quartiles – pay ranges divided into four equal parts. Movement through the quartiles is based on job performance, length of service in the position, reclassification, market conditions and compensation policies.

Red Circle – red circle pay is defined as a rate of pay that falls above the maximum of the pay range for the position.

PURPOSE OF COMPENSATION PLAN DOCUMENT

The compensation plan is designed to formalize MALPH's compensation philosophy and the organization's methods of providing and maintaining competitive and equitable pay to employees. MALPH uses market-based pay ranges and awards annual increases to reward and motivate employee performance. The compensation plan also includes formal policies and procedures that address various compensation conditions arising during the course of employment with the organization.

Pay changes are contingent upon the organization's financial resources and at the discretion of the Executive Committee. There may be instances where the organization's financial condition prevents the rewarding of pay adjustments.

PAY PHILOPSOPHY

MALPH will consistently administer pay that is based on the principles of external and internal compensation equity with employee compensation actions made in consideration of overall job performance and market analysis. MALPH has chosen a pay philosophy of matching the market. MALPH develops pay ranges based on competitiveness with the market, which are analyzed on a periodic basis by an external compensation professional. The employee's progression through the pay range is based on job performance, length of service in the position, reclassification, market conditions and compensation policies implemented from year to year.

JOB DESCRIPTIONS

Each position will have a written job description that details the duties and responsibilities, the reporting structure, skills, knowledge, experience, and education requirements of the position. Job descriptions are used to evaluate and analyze the position to the market in order to determine its placement within the pay range scale. Job descriptions will be updated as needed to reflect changes in duties and responsibilities, reporting structure or other modifications that are required to accurately reflect the scope of the position.

UPDATING AND AGING SCALES

A salary survey and market analysis is conducted at least every three to five years by an external compensation professional who will use market data from organizations similar in size, industry, and geographic region.

Pay ranges and employee's pay rates are adjusted to ensure internal equity and external competitiveness.

In preparation of the organization's annual budget process, the pay ranges are reviewed to determine the appropriateness of aging the scales. Aging the scales ensures internal equity and external competitiveness is maintained in response to possible changes in the market. Aging adjustments to the pay ranges is based the economic environment, the organization's financial condition, and the results of the market analysis.

Changes to the pay ranges may result in an adjustment of the employee's pay rate. The employee's rate of pay will not fall below the minimum of the pay range.

The employee may receive a pay adjustment when the new scales are instituted. Placement in the new pay range will be based on based on the employee's length of service in the position, qualifications, skills, and job performance.

An employee, who has been in his/her position for five years and has performed at a satisfactory level and is not paid at the midpoint of the pay range, will be adjusted to the midpoint of the range if the organization's finances can accommodate the adjustment.

PLACEMENT WITHIN QUARTILES

First Quartile (0-25th Percentile of the Range) – the first quartile represents the entry level of an employee who is in the processes of developing competencies required to become fully proficient in the position. Employees perform their work satisfactorily and with regular supervision.

Second Quartile (25th-50th Percentile of the Range) – the second quartile represents an employee achieving a standard level of performance and regularly meets or exceeds performance standards with regular supervision.

Third Quartile (50th-75th Percentile of the Range) – the third quartile also represents full performance and proficiency of the position. At this level, the employee must regularly perform the more difficult and complex functions of the position with minimal supervision.

Fourth Quartile (75th-100th Percentile of the Range) – The fourth quartile represents sustained mastery of the position. The employee assumes more difficult and complex work with minimal supervision.

DETERMINING HIRING PAY

The starting pay of a new employee is determined based on multiple factors including relevant work experience, education, knowledge, skills and other qualifications.

Placement in the first quartile of the pay range will reflect that the individual meets the minimum requirements of the position as stated on the job description. A new employee will not be compensated less than the minimum of the pay range for the position.

Placement in the second quartile will recognize that the individual exceeds the minimum requirements of the position because of relevant work experience, education and other qualifications. Generally, the individual will not be compensated above the midpoint of the pay range in order to allow sufficient opportunity for growth and to maintain internal equity.

However, if the individual is deemed to have mastery of the position and exceptional qualifications or the competitive market dictates a higher placement within the pay range, the Executive Director may approve placement above the midpoint.

HIRING BONUS AND OTHER REWARD BASED BONUSES

Hiring Bonus may be given at the time of hire in recognition of high demand positions due to market conditions or to compensate individuals whose experience level demands a starting wage above the midpoint of the pay range. Generally, hiring bonuses are within 5%-10% of annual salary. A hiring bonus is a one-time payment and is not applied to base salary.

Reward based bonuses may be provided on a periodic basis, are based on the financial condition of the organization and may be tied to individual or organizational accomplishments. Reward based bonuses are not applied to base salary.

DETERMINING PROMOTIONAL PAY

Employees who are promoted to a position above their current pay range will be placed into the pay range of the new position based on relevant work experience, education, knowledge, skills and other relevant qualifications or at a placement that results in a 3% pay increase, whichever is greater. Placement into the new pay range will not exceed the mid-point of the pay range unless the employee’s current wage exceeds the midpoint of the new position. The employee will not be placed below the minimum of the new position’s pay range.

Employees promoted during the year are still eligible for an annual raise provided their performance is satisfactory. The employee’s job performance in the former position will be evaluated before assuming responsibilities for the new position. Annual raises will be based on the evaluations from both the current and former positions.

DETERMINING DEMOTION PAY

Employees who are demoted to a position classified in a lower pay range will have their salary reduced. Placement into the pay range will be based on relevant work experience, education, knowledge, skills, and other relevant qualifications.

If the demotion results in a pay decrease larger than 10%, the employee's salary will be reduced in equal percentages over a 3-month period to allow the individual time to make any necessary adjustments to his/her personal finances. Employees whose pay rate remains above the maximum of the pay range after the salary reduction will be red circled and remain at that level of pay for one year after which time their pay rate will be reduced to the maximum of the pay range in effect at the end of the one-year period.

Employees demoted during the year are still eligible for an annual raise provided their performance is satisfactory. The employee's job performance in the former position will be evaluated before assuming responsibilities for the new position. Annual raises will be based on the evaluations from both the current and former positions.

LATERAL TRANSFERS

Employees who transfer laterally within the same pay range will remain at their current level of compensation. The employee's job performance in the former position will be evaluated before assuming responsibilities for the new position. Annual raises will be based on the evaluations from both the current and former positions.

POSITION REVALUE

A position that has experienced significant changes in duties and responsibilities or changes in the market will be reviewed and an analysis completed to determine if the changes result in a placement to a different pay range.

Placement into a higher pay range may result in up to a 3% pay increase however, if 1) the increase is not sufficient enough to meet the pay range minimum, the employee will be placed at the minimum of the new pay range or 2) if the increase is not sufficient enough to recognize the longevity and performance of the employee, the employee will be placed higher than the range minimum but no more than the midpoint of the range.

If the changes result in the value of the pay range decreasing in value, the employee's pay will be red circled if it is above the maximum of the new range.

RED CIRCLE PAY

Red circle pay is defined as the rate of pay that falls above the maximum of the pay range for the position. An employee's pay rate may fall above the maximum of the pay range if the employee's rate of pay has been reduced due to demotion yet remains above the maximum of the pay range.

Employees who are red circled are not eligible for annual raises.

EMPLOYEES AT THE MAXIMUM

Employees who are at the maximum of the pay range will receive merit increases as a lump sum payment.

ANNUAL RAISES/LUMP SUM

Annual raises or lump sum payments are based on an employee's satisfactory performance and contingent upon the organization's financial resources. There may be instances where the organization's financial condition prevents the rewarding of annual raises. The percentage increase is determined during the annual budgeting process in July of every year using market data from organizations similar in size, industry, and geographic location. During this annual raise determination process, consideration will be given to any changes to the benefits programs that would result in a reduction in employees' total rewards package.

Employees will be evaluated on an annual basis in October of each year with pay increases effective January for satisfactory performers. All employees performing at a satisfactory level or higher will receive the same percentage pay increase.

RAISES BASE/LUMP SUM PAYMENTS

If it is determined that financial conditions permit the awarding of raises, employees who perform satisfactorily or better and are not above the maximum of their pay range will receive annual raises. Annual raises will be split between base pay and a lump sum payment.
This method allows the organization to competitively reward employees, while controlling the movement within the pay range to avoid a rapid progression to the top of the scale, which results in overpayment.

The percentage of the annual increase is split between base pay and a lump sum payment calculated according to the following schedule.

Quartile	Percentage to Base	Percentage of Lump
1st	100%	0%
2nd	75%	25%
3rd	50%	50%
4th	25%	75%
Top of Scale	0%	100%

PAY CHANGE APPROVALS

The Executive Director can execute pay changes for MALPH staff in accordance with the approved compensation plan guidelines and annual budget recommendations. The Executive Committee will be responsible for pay changes related to the Executive Director.