

**COMPENSATION
STRATEGY**



WEDC in coordination with MRA Compensation and Performance Award Strategy

COMPENSATION PHILOSOPHY

The Wisconsin Economic Development Corporation's (WEDC's) compensation program is designed to be externally competitive and internally consistent in the markets where we compete for talent. As a result, we can attract, develop, and retain employees who will embrace our mission and values and thrive in our environment.

Base salaries are used to pay jobs within salary ranges as established by objective market data. As a general rule, we target the average base pay or 50th percentile for our positions. Since base salaries represent a fixed expense, targeting above or below the 50th percentile would put us at a competitive disadvantage, either through higher expenses or the inability to attract and retain key people.

Merit increases are used to reward team and individual performance. Merit budgets are established by reviewing both market data and company performance. Our compensation program has five objectives. We want to:

1. Maintain market driven and externally competitive programs
2. Pay for performance through the WEDC Merit award program
3. Ensure internal consistency through compensation administration
4. Communicate openly about policies and practices
5. Monitor and manage compensation expense

TOTAL COMPENSATION

Total compensation is designed to align the interests of employees with those of the individuals, companies and organizations we serve. Our philosophy, to pay for performance, strongly encourages us to draw distinctions in award levels for the highest performers from those of our solid contributors. We need to send a clear signal to those who had a particularly significant performance.

Total compensation, can support and reinforce the strategic mission of the company. WEDC's total compensation package will take into account the merit awards, base pay adjustments as well as employer fringe benefit contributions, professional development investments, and other WEDC enrichment programs.

Our philosophy, to pay for performance, strongly encourages a team approach to WEDC being accountable to our stakeholders and to meet the overall WEDC goals. In addition, our merit compensation will recognize achievement of organizational, divisional and individual contributions that clearly achieve results that advance WEDC's strategic mission.



COMPENSATION & INCENTIVES

Starting Salaries

Starting salaries for new employees will vary based on qualifications and experience brought to the job. The "compa ratio" indicates the position of a salary in a salary range, and is the result of dividing salary by range midpoint. As a general rule, an employee hired without any experience and/or an employee hired into the first level job in a job family, may be hired in the bottom third of the range. An employee hired with experience may be brought in at a salary commensurate with their experience, typically in the middle third of the range.

Whenever it is appropriate and possible, new employees to the Company are to be hired at or near the minimum of the salary grade to which their position is assigned.

When considering the starting salary of a new employee, the following factors should be considered:

- a. Externally competitive starting wages for the position
- b. The wages of current incumbents in the same job or comparable jobs within the department or in other departments contained in this Plan
- c. The new employee's qualifications (education and experience) for the position
- d. The new employee's current and desired salary will be considered but will not be the determining factor for starting salary.

A starting wage at or near the salaries of current incumbents in the same or comparable jobs should only be considered when the new employee's qualifications are comparable to those of the current incumbents. Note that in these situations, a pay adjustment may be necessary for current employees in the same job classification. However, the current employee(s) performance and standing should be carefully reviewed prior to any increase recommendation. This type of adjustment may also be made during the performance review process. These exception situations must be approved by the Human Resources Manager.

It is the responsibility of the Human Resources Department to make all job offers to potential employees, including discussions of pay and benefits.

Position in Range

Employees being paid in lower third of the salary range would normally include those who are qualified for the position, who may be new to the position, who are performing in a productive manner, and who have the potential for, but are not yet performing at, a fully competent level.

Employees being paid in the middle third of the salary range should be those who are proficient on the job, fully qualified from the standpoint of training and experience and who perform consistently and satisfactorily in all important areas of accountability.



Employees being paid in the top third of the salary range should include those who, over an extended period of time, have consistently and clearly demonstrated superior performance in all important areas of accountability for the position or for a new hire that holds a specialized talents and/ or elite skill set. Movement within the range will be determined at a divisional level.

Because merit budgets are limited, salaries will be managed by limiting growth above the middle (or market) zone in salary ranges.

There may be unique situations that will not fall into the categories listed above. An example of this is an employee who is high in the range but new to the job due to a voluntary demotion.

WEDC Merit Awards Program

This information is intended to assist managers with the decision making process for merit pay distribution. Please note that, except in the case of a poor performer, a number of variables must be taken into account when making a good pay decision, i.e., no one piece of information provides the definitive solution to determining a merit increase. Managers should feel free to share this type of information with employees when communicating the merit increase during a face-to-face meeting. Comprehensive discussions are needed to ensure that employees understand the merit pay process and the manager's perspective in determining the merit increase amount.

It is the philosophy of WEDC to recruit and retain high-performing talent, reward superior performance, and recognize exceptional achievements. To execute this philosophy, WEDC will administer a performance based awards program with three components: 1) Merit Awards, 2) Recognition Awards Gift Cards, 3) Annual Base Pay Adjustments for performance

1) MERIT AWARDS

This program is designed to reward on three levels: an organizational, division, and individual level. Awards recommendations will be made when achievements are made above and beyond performance expectation and fall within the parameters of the *Merit Award Guidance Table* below. The Merit Awards program does not reward employees for attendance, quantity of work, quality of work, or accuracy of work as defined within an employee's job description and/ or performance expectations.

Human Resources will provide managers with guidance on pay and proposed annual amounts. Payments will be made in lump sum amounts on a quarterly basis for individual awards and an annual basis for the organizational and divisional awards. Awards will be subject to taxes, withholdings and WRS contributions. Regular full time employees or regular part time employees are eligible for merit compensation awards. These awards will be based on prior performance. All salary adjustments and merit pay is triggered by annual performance reviews or by documentation of a special achievement.

2013 guidance: Executive Leadership can recommend up to 10% of base pay per staff member.



a) ORGANIZATION AWARDS

WEDC strives to assemble the brightest, most capable employees. To this end, WEDC has designed a mechanism to share the organization's success with its employees and thus to increase their commitment to its objectives and values. The organization-wide incentive plan rewards employees on the basis of the success of the organization over a specified time period. This plan seeks to promote a culture of ownership by developing a sense of belongingness, cooperation and teamwork among all employees. In order to achieve this "goal alignment", WEDC management will first clearly communicate strategic business objectives across the entire organization. Interdepartmental goal visibility will assist in the process of alignment. Annually, organization wide goals will be measured, if WEDC exceeds its organization wide objective, awards will be granted.

***NOTE: This component of the awards strategy is meant to be future focused. WEDC will not implement this during FY 2014.

b) DIVISION AWARDS

Once organization-wide goals have been established, managers can then set goals for the divisions which clearly support overall business strategies. These goals will be measured on a periodic basis and awards will be granted within the division based on the divisional accomplishment.

***NOTE: This component of the awards strategy is meant to be future focused, WEDC will not implement this during FY 2014.

c) INDIVIDUAL AWARDS

Individual awards will be assessed on a quarterly basis. When determining individual award recognition amounts consider: the scope of the achievement, the contribution the achievement made to the team or organization, the history of your divisions recognition awards, the perceived value of the individual contribution to involved stakeholders.



Merit Award Guidance Table

Merit Category	Rationale for Consideration
Factors to Consider-ORGANIZATION	**NOT IMPLEMENTING IN FY 2014
Organizational Contribution	Based on successful completion of an annual organizational goal
Factors to Consider-DIVISION	**NOT IMPLEMENTING IN FY 2014
Divisional Goals (metrics)	Based on successful completion of a divisional goal
Factors to Consider-INDIVIDUAL	
Extraordinary achievement (successful completion of a special project)	Individual has fulfilled all normal job duties in addition to performing added duties to accomplish a special project or achieve a certain goal that contributes to the success of WEDC.
Exhibits leadership	Individual serves as a role model for others, displaying desirable characteristics such as outstanding customer service, positive attitude, team leadership, increased efficiency, implemented productivity suggestion, etc. that contributes to the success of WEDC.
Other extraordinary contribution	Determined by manager, with approval of WEDC Officers

2) RECOGNITION AWARD GIFT CARDS

Recognition awards are of nominal amount (gift certificates up to \$50) and given out to recognize individuals for short term accomplishment or special effort. Department heads approve recognition awards.

The intent of the Recognition Award Gift Cards is to award short term or extra effort in a specific area. Gift card award nominations will recognize actions such as: taking on additional work for a short period to meet a deadline; taking the lead on a short term project; providing a solution to a difficult problem; exceptional one-time display of customer service; providing extra support for a team or team member.

Gift Cards are considered taxable income and employees will be taxed on the gift card amounts on a quarterly basis through payroll.

3) BASE PAY INCREASES

Salary adjustment percentages are based on achievement of performance levels and pay relative to the mid-point of the salary range. E.g., employees with a superior annual performance review and with a



current pay level that is below the mid-point of their job pay range will realize higher percentage salary increases. Adjustments are typically made after annual reviews are complete.

FY2014 Adjustment Guidelines

Base Salary Adjustment. WEDC has budgeted a 1% overall salary increase for FY14 (including market range adjustments). The following table reflects how those adjustments will be granted in FY14.

**The Benefits and Compensation Committee of the Board has recommended the following percentages.

	Below Mid-point	Above Mid-point
Does not meet Expectations/ Not Eligible*	Corrective Action/No increase	Corrective Action/No increase
Meets Expectations (2,3 ranking)	1%	1%
Exceeds Expectations (4 rating)	1%	1%

*Ineligible employees include limited term, project and intern employees or employees that have been in their current WEDC position for less than 180 days.

The Company's "Performance Rating Distribution Guidelines", outlined in the performance review documentation, is a good tool to use as a point of reference, because it is designed to help managers recognize and reward the top performers. Inflated ratings can send a mixed message to an employee and reduce the utility of the reward system.

Employees who are at the maximum of their pay range may be eligible for an annual lump sum incentive based on performance.

Officer Compensation and Merit Awards:

Compensation and merit awards for officers of the corporation are recommended by the Benefits and Compensation Committee and approved by the WEDC Board. The Compensation and Benefits Committee should use job creation as one of the major criterion for WEDC top officials.

ADDRESSING RETENTION

Key employee retention is defined by organizational need. On rare circumstances retention issues may be addressed, based on employee levels, through compensation incentives. All compensation incentives must be approved by the CEO, COO, and CFO prior to being introduced.

TIMING OF AWARDS



It is important to consider the timing of achievement awards. Awards should be made within close proximity to achievement. Supervisors are responsible for setting the expectation that these awards are to be held in high regard and will be awarded within close proximity to achievements.

Supervisors must also be aware of the impact of these awards and plan accordingly. Receiving a base adjustment, Merit Award, and Recognition Gift Card Award within close proximity of one another may cause the impact of these awards to be diluted. Careful consideration will be given to approving multiple awards in a short time frame.

PROFESSIONAL DEVELOPMENT ACHIEVEMENT

Employees working toward specific professional development milestones will be rewarded for achieving them. Employees who take the initiative to complete a specific degree or certification are increasing their knowledgebase and ideally their contribution to the organization. WEDC will reward completion of degree or certification programs by offering up to a 3% onetime base increase in salary. Supervisors should furnish recommendations and documentation to Human Resources for approval.

FRINGE BENEFITS

Our employees are dedicated to helping and serving the State of Wisconsin, its residents, businesses and fellow WEDC teammates. In return, we offer a competitive and comprehensive benefits package. WEDC employees are eligible for the Chapter 40 benefits of the Wisconsin Statutes including the State of Wisconsin Retirement System benefit.

WEDC CULTURE

As Wisconsin's lead economic development agency, with more than 600 regional and local partners, the Wisconsin Economic Development Corporation (WEDC) fosters the cooperation necessary to support sustainable business growth and job creation. Our model is customer-service focused and aligns with the needs of businesses. To ensure we are effective and efficient, we collaborate with our state economic development network to deploy tools, provide financial and technical support, encourage entrepreneurship, and advance industries.

Together, we leverage Wisconsin's unique character as a state that is innovative, hardworking, independent and success-minded to create the right climate that maximizes the potential for economic growth in Wisconsin.