

~~2025~~2026

Merit Compensation Policy & Plan

DAKOTA COUNTY MERIT COMPENSATION POLICY & PLAN

I. INTRODUCTION

The Dakota County philosophy regarding compensation systems and wage and salary administration flows from a belief that all employees are to be provided competitive rewards for achievement. Embodied in this statement are the concepts of output or results-based merit pay in the context of market driven compensation structures. Contained within this broad statement are the County's compensation goals, including 1) attraction and retention of personnel, 2) rewards for excellence, 3) facilitation of compensation equity, 4) equitable distribution of limited County compensation resources, 5) achievement of pay/performance and contribution relationships, 6) possibility of salary differentiation from the highest to the lowest level of performance and contribution, and 7) clear communication of these objectives to all affected employees. The elements of Dakota County's compensation program have been structured to support and advance these objectives.

II. ADMINISTRATIVE GUIDELINES

A. Participation

The provisions of this Plan apply to all Dakota County employees unless specifically addressed in a collective bargaining agreement. All Dakota County employees who are not represented by a collective bargaining unit, or are not participants in the Unclassified Employees' Compensation Plan, will participate in the Dakota County Merit Compensation Plan. New employees will participate immediately upon employment.

B. Plan Update

The Human Resources Director will annually review all aspects of the Plan, including salary ranges and grade structure, salary increase matrixes, and administrative guidelines. Any recommended changes due to internal organization modifications, external market factors, strategic programmatic and administrative considerations, or other relevant issues will be proposed to the County Board in a timely fashion.

III. COMPENSATION PROGRAM ELEMENTS

A. Policy

It is the policy of Dakota County to provide its employees equitable compensation and financial incentives, to the extent permitted by law, to promote attainment of the highest levels of performance and organizational contribution. The County recognizes that compensation policies are a key factor in the County's ability to attract, retain and motivate well-qualified individuals to participate in the achievement of its objectives. Therefore, the Dakota County Merit Compensation Plan is based on the principles of internal and external pay equity and is designed to relate to the extent possible, an individual's salary to performance and contribution to organization results.

B. Salary Structure

The County salary structure (Attachment II) consists of 18 salary grades with a corresponding salary range for each grade. Salary ranges are formulated around a midpoint, and a salary range spread is calculated. Salary ranges are segmented into four quartiles. The structure is midpoint-driven which means the market rate for County positions is approximately the midpoint of the salary ranges. Market rate is defined as what comparison jurisdictions are actually paying employees in comparable positions. Movement beyond the market rate is dependent upon high performance ratings and tenure in position.

Salary ranges are analyzed and may be adjusted each year based on a number of factors including relative changes in the labor market, inflationary measures, budgetary impact as well as fluctuation in the prevalence of certain job skills in the marketplace.

C. Performance Reviews

Supervisors shall conduct one informal interim performance review to occur mid-review cycle and one formal performance review to occur at the conclusion of the employee's performance review cycle. The annual formal performance review is used to assess the employee's contribution to organization results, to assess the employee's career growth and development and in years when a compensation increase is available, to determine the employee's eligibility for a merit increase. Performance reviews are assessed based on the performance objectives and competencies approved by Human Resources for the job classification.

The interim review is intended to ensure employees understand how they are performing against established objectives and competencies and provide the opportunity to discuss mutual expectations and make any necessary mid-year corrections. The interim review identifies strengths and areas for improvement. Interim reviews are documented in dated summary memorandum(s) and maintained by the department.

The formal performance review is conducted within 15 days of employees' annual performance review dates. Prior to the conclusion of the evaluation period, employees are expected to complete a self-assessment and to transmit the self-assessment to the appraising supervisor for use in completing their performance review.

Completed performance review documents are signed by the supervisor, the employee and the next higher level of management. The employee's signature indicates that the appraisal has been discussed with the supervisor, but does not necessarily indicate agreement with document content. Employees shall be provided adequate time to review and provide summary comments to the final review document. If an employee refuses to sign the document, it is so noted and the review is processed. Completed performance review documents are retained by Human Resources consistent with the County retention schedule and related policies.

At the discretion of management, a supervisor's salary increase may be delayed until all scheduled performance reviews are completed. The performance review process combines an assessment of objective success measures and position competencies.

Exceptional Performance - is reserved for rare achievements. Employees who receive this level of performance have performed at a level that is well beyond the performance of their top performing peers in a given year. These employees have developed, implemented, or created processes or work results that surpassed all others and brought great value to the County.

Greatly Exceeds Performance Standards - is reserved for a limited number of employees who, in a given year, demonstrate extraordinary performance. This rating may result from especially noteworthy accomplishments and/or exceptional performance during the review period that exemplifies organizational excellence.

Exceeds Performance Standards - is to recognize a pro-active performer. Results of assigned responsibilities consistently meet and frequently exceed baseline expectations. Routinely evaluates priorities and maximizes opportunities for improvement and collaboration; is pro-active and effective in performing for group success, integrating change, learning and sharing information, understanding and sustaining organizational values and objectives; serves as an example of professionalism and excellence.

Meets Performance Standards Performance - is to recognize a reliable, responsive performer. Results of assigned responsibilities meet baseline expectations, regularly or with minimal training or coaching. Takes the steps needed to accomplish tasks, can integrate change as proscribed, complies with group needs while performing individual tasks, and can learn and apply specified information when necessary. Demonstrates conduct appropriate for the workplace and acts consistently within organizational values and objectives.

Below Performance Standards - does not achieve baseline performance expectations due to insufficient skill or effort. Results of some or all assigned responsibilities fail to meet baseline expectations. Frequently requires assistance, coaching or regular oversight to complete basic/routine job responsibilities. May be inconsistent in the demonstrated ability to adapt to change and apply new information to assigned tasks or roles and their performance may slow or damage group productivity, functioning or credibility.

Employees who receive a Below Standards rating will receive formal performance reviews at six-month intervals until documented performance warrants a Fully Meets Standards rating. If after the six-month review the employee receives a Meets Standards or above rating, a six-month merit increase is processed and the next review date is adjusted back to the annual or common review date. Employees who receive multiple or consecutive Below Standards ratings will be subject to disciplinary proceedings, up to and including discharge.

D. Individual Development Plans

As part of the County's formal performance review process, supervisors and employees are encouraged to jointly complete an Individual Development Plan (IDP). Formal discussions of job and career objectives, position enrichment and development may also be included. Development or career objectives should be tied to departmental and County-wide goals.

Completion of an IDP is required if the employee is planning to request tuition reimbursement or if a supervisor has determined that the employee is to complete one.

E. Salary Increase Matrix

The County Merit Matrix is based on the principle that salary range position and performance as reflected in organizational contribution bear a direct relationship and that gravitation toward the market rate (Q2) should occur.

For purposes of the salary increase matrix, salary range position is identified by compa-ratio. This figure represents participants' actual compensation expressed as a percentage of Q2 of the assigned salary range (i.e. compa-ratio of 100.0 = actual compensation at Q2 of the salary range).

The structure of the annual merit matrix (Attachment I) reflects percentage increases based on two dimensions: range position (Quartile 1, 2, 3 & 4) and performance rating. When a merit increase is available, a high performer in a low segment of the salary range may receive a greater base salary increase than an equivalent performer in an upper portion of the salary range. Note that employees whose performance is rated as Below Standards, are in no case eligible for an increase to base salary or a lump sum payment. In no instance will an employee's base salary be increased above the range maximum.

Administering an effective performance-based, market system requires a commitment to truly differentiate performance. There is no expectation that every employee will reach the salary range maximum. Appropriate ratings differentiation is expected. Those employees who perform at higher levels receive greater rewards.

F. Extra Meritorious Award

The Extra Meritorious Award provides up to a 2% lump sum payment of the employee's salary for recognition of special achievements outside the normal expectations of a non-union employee's position. Employees are eligible for an Extra Meritorious Award once per calendar year. Extra Meritorious Awards are approved or disapproved by the County Manager after review and consultation with Human Resources.

G. Promotion

A promotion is defined as the selection of an internal candidate through the competitive recruitment process into a position at a higher salary grade.

At the time of a promotion decision, the affected employee receives a performance review of the time worked in the current position since the most recent performance appraisal. Upon promotion, employees are eligible for an increase to their actual base salary. Internal equity and the employee's appropriate placement within the salary range will be the basis when implementing a promotional salary action. All promotional salary actions require approval by Human Resources.

Employees promoted into a supervisory position will typically not earn less than 90% of the highest paid subordinate employee in the work unit unless unique circumstances exist. All promotional salary increases will be approved by Human Resources and reviewed with the Department Director prior to a promotional job offer being extended.

H. Demotion

a. Involuntary

An involuntary demotion is defined as a reassignment from one position to another, which has a lower salary range or classification as a result of a performance-based consequence or other disciplinary procedure. The employee's salary review date will be adjusted to the effective date of the action. The employee's salary is subject to adjustment on a case by case basis as approved by Human Resources.

b. Voluntary

A voluntary demotion is defined as the selection of an internal candidate through the competitive process into a position at a lower salary range or classification. The employee's salary review date will be adjusted to the effective date of the action. The employee's salary reduction will generally be no greater than 10% of their base pay per pay grade reduced. Adjustments will be based on internal equity considerations and approved by Human Resources.

c. Reorganization

If a demotion is the result of reorganization or unforeseen organization or structure changes and if the affected employee's salary is above the new salary range maximum, the salary is frozen until such time as the salary is within the new salary range.

I. Job Evaluation

Through the County's job evaluation and classification policy, the County ensures that appropriate relationships between classifications and jobs are established and maintained over time through application of a periodic job description review process and reorganization studies when appropriate.

J. Reclassification

A reclassification is defined as movement to another salary grade or classification as a result of approved changes in job duties significantly modifying the position responsibilities. When a position is reclassified to a higher salary grade, employees are eligible for an increase of up to 5% of their actual base salary or placement at the new salary range minimum, whichever is greatest.

Through the periodic job description review process, the County ensures job descriptions are reviewed and updated regularly as changes to services, processes and related job duties occur. When a department plans a substantive structural or work process change they are urged to contact Human Resources to determine if a reorganization review is needed to ensure classification consistency is maintained and the proposed changes are cost neutral.

Positions may be reclassified with no change in salary grade, upward (higher classification/salary grade); or downward (lower classification/salary grade). If the affected employee's current salary is below the new salary range minimum, the salary is increased to the range minimum. Reclassification downward generally results in no immediate change to the employees' salary. If the employee's salary is above the salary range maximum for the new classification, the salary is frozen until such time as the salary is within the new salary range. When the employee's salary is within the new salary range and in years when a merit opportunity is available, the employee will be eligible on the normal performance review date

for a merit increase based upon documented performance rating. Reclassification of a job class does not change the employee's review date or seniority date.

K. Within-Grade Advancement

A series of two positions may be established within the same pay-grade. Both positions in the series will have a position description with the more advanced position indicating the necessary mastery or additional responsibility required for the position. When an employee advances from one position to the next in the series, they are eligible for an up to 3 percent increase of their actual base salary.

L. Working Out of Grade

Out-of-grade pay may be requested whenever an employee is designated by their supervisor to perform all of the duties and responsibilities of a position in a higher salary grade for a period of 10 consecutive work-days or more. Human Resources reviews the proposed out-of-grade request prior to an appointment and approvals shall be limited to a period not to exceed six-months, however extensions may be requested. Generally, working out-of-grade is the result of a long-term leave of absence or temporarily vacant position. In such a case and for the duration of the out-of-grade assignment, the employee is eligible for a payment of up to 5% of their actual base salary, or placement at the higher salary range minimum, whichever is greater. The out-of-grade payment will be retroactive to the first day the employee worked in the higher classification and may be paid as an adjustment to the hourly rate or paid in a lump-sum at the conclusion of the out-of-grade assignment. Employees being considered for an out-of-grade assignment must meet the minimum qualifications of the position in the higher classification.

Whenever an employee is directed to temporarily perform most, but not all, of the duties and responsibilities of a position in a higher salary grade as defined above for a period of 10 consecutive work days or more, the employee is eligible for a partial out-of-grade payment of up to 3% of their actual base salary to be paid in a lump-sum as indicated in paragraph one of this section.

If an employee's review date occurs during the time they are working in an out-of-grade assignment, a salary adjustment consistent with the Merit Compensation Plan is computed based upon the employee's regular position salary rate minus the out-of-grade differential, as defined in this policy or applicable labor contract. The out-of-grade rate is then added to the employee's new base salary. When the employee returns to their regular position, they are compensated at their regular rate and they no longer receive the temporary payment received for the out-of-grade assignment.

If the employee is promoted to the out-of-grade position, the time since the employee's last performance review is "closed out" by conducting a performance review for the period in question. The employee then serves a six month probation period. ~~The salary of the promoted employee shall be no less than the rate of pay while serving in the out-of-grade assignment.~~

If a classified employee is temporarily appointed to an unclassified position, these guidelines may be adjusted to fit the circumstances, subject to review by Human Resources.

M. On-Call Compensation

While employees are outside normal work hours but are designated to be on-call they shall be compensated for on-call status at the rate of two dollars (\$2.00) per hour for each hour they are designated on-call.

To utilize this provision, a department shall design an on-call plan for approval by Human Resources (ref. Policy 3200). Salary adjustments must be made in the context of the approved plan.

N. Call-Back Pay

An employee called back to work outside of the employee's regular shift shall receive a minimum of two (2) hours pay for such callback. Exempt employees are compensated at the straight time rate and non-exempt employees are compensated at the rate of one and one-half times the normal pay rate. This provision shall not apply to an extension of shift or early report to a regularly scheduled shift.

O. Wage and Salary Guidelines

- *Full Merit Concept*

All employee base and any lump sum salary actions are provided based solely on the County's Merit Matrix and related guidelines; all base and any lump sum salary actions occur on employees' established annual merit review dates.

- *Merit Matrix*

The Merit Matrix guidelines provide percentage base and lump-sum increases for each level of performance. The merit increase is a percentage calculated on the Q2 rate of the employee's applicable salary range if the salary is below the Q2 rate and calculated on the employee's base salary if above the Q2 rate.

For employees below the range maximum and whose base adjustment would result in an increase above the salary range maximum, the salary increase is available only to the range maximum rate. There are no base or lump sum increases beyond the range maximum.

- *Performance Review Date*

The performance review date has historically been the date on which the employee was last hired, promoted or demoted to a new job classification. Departments are strongly encouraged to move employees to common review dates in order to more equitably evaluate performance across work units. In the year of movement to a common review date an employee's merit increase is prorated from the date of the most recent merit increase. Employees' review dates are adjusted ~~or~~ in the event of a n approved unpaid leaves of absence of 90 days or more. Where departmental common review dates exist, merit increases will be prorated for unpaid leaves of absence of 90 days or more.

- *Effective Dates of Increases*

Any available pay increases will be effective the first day of the pay period in which the performance review date falls. This effective date will not affect the employee's performance review date.

- Initial Probationary Period

During an employee's initial twelve-month probationary period, a pay increase equivalent to fifty (50) percent of the available meet standards increase is provided upon successful completion of the first six-months of the initial probationary period. At the completion of the 12-month initial probationary period the first annual review is conducted, 50 percent of the available increase, based on current performance level and merit matrix guidelines, is available.

- ~~*Six-Month Promotion or Transfer Probationary Performance Reviews*~~

~~[Superseded by adoption of Policy 3160, County Board Resolution No. 24-610 (12/17/2024)]~~

Six-month *Promotion or Transfer* probationary performance reviews are conducted to determine if the employee has met all the performance requirements of the position. In years when a merit opportunity is available and based on the plan year merit guidelines within which they fall, 50% of the merit increase is provided upon successful completion of the ~~initial~~ *Promotion or Transfer* probationary period. At the conclusion of the first 12 months of work in the job, a second six-month performance review is conducted and depending on available merit guidelines, 50% of the eligible merit increase is provided upon successful performance.

- *Salaries Below the Range Minimum*

At the beginning of a calendar year, employees compensated at rates less than the minimum of the new salary ranges, will be adjusted to the new range minimum.

- *Increases to Top of Range*

Increases to Top of Range No employee's salary may exceed the range maximum. In years with an available merit increase opportunity, a base increase may be given up to the maximum. If a full merit increase would result in a salary above the range maximum, the increase will be limited to the salary range maximum. The remainder shall be paid in a lump sum payment, which does not increase the employee's base compensation for the following salary review period.

P. Approval Process

All performance review and salary increase materials and documentation require two levels of approval signatures. Consistent with County policy, individual Divisions/ Departments may require additional approvals. After appropriate Division/Department approval, all review materials are forwarded to Human Resources in advance of the payroll deadline, for final approval and processing.

Q. Market Adjustment

When a market analysis for a specific job class indicates the assigned salary range mid-point deviates, positively or negatively, from the market by more than 10%, the job class may be placed at an established salary grade that most closely corresponds to the applicable market rate. The job class is administered in the context of the adjusted grade. All market adjustments will be re-evaluated on a regular basis.

R. Plan Exceptions

The County Manager may approve exceptions to the Plan. These will generally involve internal and labor market equity considerations or unusual circumstances and will occur only upon the recommendation of the Human Resources Director.

S. Policy Implications

The provisions of this Plan supersede any applicable Dakota County Human Resources Policies and Procedures.

DAKOTA COUNTY

NON-UNION MERIT COMPENSATION PLAN

2025-2026 Merit Matrix

The Merit Matrix guidelines provide maximum recommended percentage increases for each level of performance and for each of the four salary quartiles. All below Q2 salary actions are a percentage of the Q2 rate. All above Q2 salary actions are a percentage of the employee's base salary.

Salary Range	PERFORMANCE RATING					
	Exceptional Performance		Greatly Exceeds Standards	Exceeds Standards	Meets Standards	Below Standards
Q4	8.25% base		8.25% base	7.25% base	6.25% base	0%
Q3	8.25% base		8.25% base	7.25% base	6.25% base	0%
Q2	8.25% base		8.25% base	7.25% base	6.25% base	0%
Q1	8.25% base		8.25% base	7.25% base	6.25% base	0%

~~2025~~ 2026 DAKOTA COUNTY PAY EQUITY COMPENSATION STRUCTURE

Grade	Minimum	Q-1	Midpoint	Q-3	Maximum
100	<u>\$ 29,691</u>	<u>\$ 33,403</u>	<u>\$ 37,114</u>	<u>\$ 41,754</u>	<u>\$ 46,393</u>
101	<u>\$ 33,254</u>	<u>\$ 37,411</u>	<u>\$ 41,568</u>	<u>\$ 46,764</u>	<u>\$ 51,960</u>
102	<u>\$ 37,245</u>	<u>\$ 41,901</u>	<u>\$ 46,556</u>	<u>\$ 52,376</u>	<u>\$ 58,195</u>
103	<u>\$ 41,714</u>	<u>\$ 46,929</u>	<u>\$ 52,143</u>	<u>\$ 58,661</u>	<u>\$ 65,179</u>
104	<u>\$ 46,720</u>	<u>\$ 52,560</u>	<u>\$ 58,400</u>	<u>\$ 65,700</u>	<u>\$ 73,000</u>
105	<u>\$ 52,326</u>	<u>\$ 58,867</u>	<u>\$ 65,408</u>	<u>\$ 73,584</u>	<u>\$ 81,760</u>
106	<u>\$ 58,606</u>	<u>\$ 65,932</u>	<u>\$ 73,257</u>	<u>\$ 82,414</u>	<u>\$ 91,571</u>
107	<u>\$ 65,638</u>	<u>\$ 73,843</u>	<u>\$ 82,048</u>	<u>\$ 92,304</u>	<u>\$ 102,560</u>
108	<u>\$ 73,515</u>	<u>\$ 82,705</u>	<u>\$ 91,894</u>	<u>\$ 103,381</u>	<u>\$ 114,868</u>
109	<u>\$ 82,337</u>	<u>\$ 92,629</u>	<u>\$ 102,921</u>	<u>\$ 115,786</u>	<u>\$ 128,651</u>
110	<u>\$ 92,218</u>	<u>\$ 103,745</u>	<u>\$ 115,272</u>	<u>\$ 129,681</u>	<u>\$ 144,090</u>
111	<u>\$ 103,284</u>	<u>\$ 116,195</u>	<u>\$ 129,105</u>	<u>\$ 145,243</u>	<u>\$ 161,381</u>
112	<u>\$ 115,678</u>	<u>\$ 130,138</u>	<u>\$ 144,598</u>	<u>\$ 162,673</u>	<u>\$ 180,748</u>
113	<u>\$ 129,560</u>	<u>\$ 145,755</u>	<u>\$ 161,950</u>	<u>\$ 182,194</u>	<u>\$ 202,438</u>
114	<u>\$ 145,107</u>	<u>\$ 163,246</u>	<u>\$ 181,384</u>	<u>\$ 204,057</u>	<u>\$ 226,730</u>
115	<u>\$ 162,520</u>	<u>\$ 182,835</u>	<u>\$ 203,150</u>	<u>\$ 228,544</u>	<u>\$ 253,938</u>
116	<u>\$ 182,022</u>	<u>\$ 204,775</u>	<u>\$ 227,528</u>	<u>\$ 255,969</u>	<u>\$ 284,410</u>
117	<u>\$ 203,865</u>	<u>\$ 229,348</u>	<u>\$ 254,831</u>	<u>\$ 286,685</u>	<u>\$ 318,539</u>