

**PERFORMANCE REWARD SCHEME FOR  
EMPLOYEES ON FIXED TERM  
CONTRACTS**

**MANGAUNG MUNICIPALITY**

**2002**

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## 1. PURPOSE OF THE SCHEME

The performance of employees on fixed term contracts is recognised and rewarded at two levels within Mangaung Municipality:

- A. Through the award of an annual bonus
- B. Through the payment of an annual merit increase

These awards are based on performance as measured against the performance management system.

The purpose of the Performance Reward Scheme (PRS) is to motivate employees towards the successful implementation of strategies, and to increase overall organisational motivation and efficiency.

The PRS is designed to reward superior performance. The same scheme framework applies to all participants and requires meeting pre- set targets, as defined in the performance agreement. The PRS is designed to be flexible and adaptive to the changing needs of Mangaung Municipality.

The targets will be set by the management of Mangaung Municipality at the beginning of the financial year, and will be guided by the Integrated Development Plan. At the end of the year performance will be measured against the set targets and both the bonus and merit increase will be calculated.

## **2. BONUS SCHEME**

### **ELIGIBILITY**

The following employees are eligible for participation in the PRS (i.e. both the bonus scheme and the merit increase scheme:

- ◆ The City Manager and Executive Directors (i.e. employees in reporting level 1 and 2) and other employees who are on a fixed term contract that caters for the payment of a performance bonus

Employees starting during the financial year will only be eligible on a pro-rata basis, from date of employment, for the bonus. Only employees still in employ with Mangaung Municipality as at the end of the financial year will be eligible. Employees at level 3 promoted to a Level 2 position during the year will be eligible on both levels on a pro-rata basis.

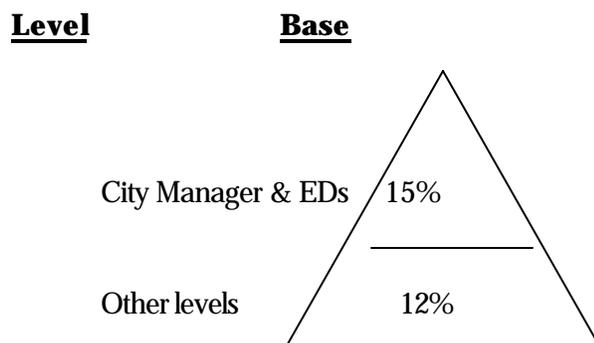
### **PERFORMANCE TIERS**

Performance criteria must be meaningful and realistic to employees, for them to have a clear line of sight of what role they can and must play to achieve the targets.

### **PARTICIPATION CATEGORIES**

Participants are divided into categories based on their level and role within the organisation. Each participation category is assigned a target bonus award also referred to as a “ Bonus Scheme Base”. This is calculated as a percentage of annual total package.

The base is reflected as follows:



### **RATING PERFORMANCE**

Performance is measured against a performance plan i.e. previously established and agreed performance targets. A performance score is calculated according to key performance indicators. Should the target have been met within the required time deadline, 100% of the weighting score is earned, indicating a “YES” for performance achieved. Should the target not have been met, 0% of the weighting score is earned, indicating a “NO” for performance achieved.

Performance scores are added together to give an overall performance score. The amount of the bonus is determined by the total performance score, according to the bonus scheme base.

Based on the Bonus Scheme Base, the range of earning as a percentage of annual salary (Total Package) is shown in the table below:

<b>Staff Level</b>	<b>Final Score</b>	<b>Bonus Amount</b>
<b>City Manager &amp; Executive Directors</b>	90 – 100	15% of Annual Salary
	85 – 89	13.3% of Annual Salary
	80 – 84	6.7% of Annual Salary

	Below 80	0% Bonus
<b>Other Levels</b>	90 – 100	12% of Annual Salary
	85 – 89	10% of Annual Salary
	80 – 84	5% of Annual Salary
	Below 80	0% Bonus

Performance scores below 80 are not eligible for a bonus.

### 3. COST OF LIVING INCREASE

Contractual employees will receive cost of living increment (CPIX) plus a percentage determined by the Executive Mayor based on the overall performance of the Municipality in relation to set goals.

### 4. ADMINISTRATION

The final decision regarding the amount to be allocated as a bonus or cost of living increase will be at the sole discretion of the Executive Mayor.

In the event of an employees' services being terminated as a result of retrenchments, death or retirement including approved early retirement and ill health early retirement, they will be entitled to bonus scheme participation up to the last day of employment i.e. a pro-rata performance score will be calculated, with a corresponding pro-rata bonus payment. For other reasons of termination an employee ceases to participate in the bonus scheme and will have no claim on any pro-rata bonus scheme points, which may be in the process of accruing during the year under review.

In the event of resignations, an employee ceases to participate in the bonus scheme and will have no claim on any pro-rata bonus scheme points which may be in the process of accruing during the year under review. Employees must be in the employment of the

Municipality at the time that the bonus scheme awards are calculated, even if the resignation is effective after the end of the financial year. This can only be waived by the Executive Mayor subject to presentations being made on an individual case basis, by the Manager concerned.

Annual packages must be pro-rated in the event of interim increases awarded to Managers, promotions, transfers between regions and appointments during the financial year i.e. Level 3 employees promoted to a Level 2 position during the year will be eligible on both levels on a pro-rata basis.

The Performance Reward Scheme does not form part of the conditions of employment for employees. It is variable pay on top of guaranteed pay and may change substantially from year to year.

The Performance Reward Scheme is operative at the discretion of the Municipality, and the Municipality reserves the right to amend or withdraw the scheme at any stage. The Municipality's intention of withdrawal of the scheme will be communicated to all participants' 3 months in advance.

Since awards in terms of the Performance Reward Scheme are not guaranteed and do not form part of employees' annual compensation package, participation in the PRS can, at the sole discretion of the Executive Mayor, and in exceptional cases (usually relating to performance and misconduct), be terminated.

The Performance Reward Scheme will be reviewed on an annual basis by the Executive Mayor.

## 5. HOW IS THE BONUS SCHEME PAYMENT CALCULATED

The following is an example of calculating a bonus, based on a performance scenario, with the performance score calculated in the example:

### **EXAMPLE: Executive Director**

Key Objectives	Weighting		Target Date	Key Performance Indicators	Performance status on date of review	Reason for deviation, if applicable	Score
1. Manages the progress of the project to implement performance management into the Mangaung Municipality	30	20	End June 2003	a) Administrative support provided to the City Manager in terms of the requirements of the implementation plan for level 1 and 2	Yes		20
		10	End June 2003	b) Project plan developed and approved to implement performance management to level 3 & 4. Progress to be in line with approved project plan	Yes		10
2. Establish the resource centre for the Mangaung Municipality 3. Mechanisms are in place to provide effective and strategic oversight of all bilateral and multilateral relationships	20	20	End Dec 2002	a) Resource Centre fully functional	Yes		20
			End June 2003	a) City Manager knows what partnerships currently exist and what new ones need to be developed	No		0
4. Other 1	20				Yes		20
5. Other 2	10				Yes		10
<b>Total Score</b>							<b>80</b>

Using this example performance plan, we calculate a total score of 80. Referring to the bonus scheme base and the staff level, the bonus is calculated as follows:

- a) Confirm that individual is on staff level 2 i.e. Executive Director

b) Score of 80 entitles individual to a bonus of 6.7% of Annual Salary

Current Executive annual salary: R100 per annum

Thus Bonus = R 6.70

## 6. FREQUENTLY ASKED QUESTIONS

### a) How is individual performance recognised?

It is directly linked to the annual compensation review i.e. annual merit increase **as well as** the annual award of a bonus, up to a maximum of 15% of annual salary.

### b) When would I receive no bonus?

If your performance score is less than 80, you are not eligible for a bonus.

### c) When would I receive a full 15% of my annual salary as a bonus?

If you are a level 1 or 2 employee i.e. City Manager or Executive Director, and your performance score is higher than 90, you are eligible for a bonus equal to 15% of your annual salary.

### d) When would I receive a full 12% of my annual salary as a bonus?

If you are not on level 1 or 2 but are on a fixed term contract and your performance score is higher than 90, you are eligible for a bonus equal to 12% of your annual salary.

### e) How often are targets set?

Key Objectives are set in month one of the new financial year i.e. they are set for a full year, along with Key Performance Indicators.

### f) What if the bonus scheme is not effective?

The scheme will be reviewed on an annual basis by the Executive Mayor.

**g) When are bonuses calculated?**

At the end of the financial year, after the performance review in June.

**h) How will I know how I am progressing toward my target?**

A mid-year performance review will be conducted to measure progress, and will be unrelated to the payment of a merit increase or a bonus.

**i) What happens if I am retrenched over the period of the bonus Scheme?**

In the event of an employees' services being terminated as a result of retrenchments, death or retirement including approved early retirement and ill health early retirement, they will be entitled to bonus scheme participation up to the last day of employment i.e. a pro-rata performance score will be calculated, with a corresponding pro-rata bonus payment. For other reasons of termination an employee ceases to participate in the bonus scheme and will have no claim on any pro-rata bonus scheme points, which may be in the process of accruing during the year under review.

**j) What happens to my bonus payment if I resign?**

In the event of resignations, an employee ceases to participate in the bonus scheme and will have no claim on any pro-rata bonus scheme points which may be in the process of accruing during the year under review. Employees must be in the employment of the Municipality at the time that the bonus scheme awards are calculated, even if the resignation is effective after the end of the financial year. This can only be waived by the

Executive Mayor subject to presentations being made on an individual case basis, by the Manager concerned.

**k) What happens if my job dimensions change during the period of the bonus scheme?**

Annual packages must be pro-rated in the event of interim increases awarded to Managers, promotions, transfers between regions and appointments during the financial year i.e. Level 3 employees promoted to a Level 2 position during the year will be eligible on both levels on a pro-rata basis.

**l) What if I join the Municipality after the incentive scheme has been introduced?**

Employees starting during the financial year will only be eligible on a pro-rata basis, from date of employment, for the bonus. Only employees still in employ with Mangaung Municipality as at the end of the financial year will be eligible.

**m) What if I do not meet the minimum score?**

You will not be eligible for a performance bonus if you score less than 80 or a merit increase if you score less than 70.