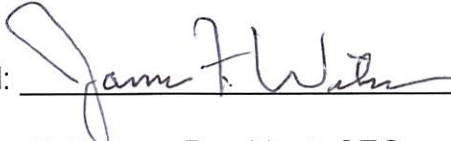


# PROFESSIONAL EMPLOYEE COMPENSATION POLICY

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## 1.0 OVERVIEW

Kepler Research, Inc. (Kepler) strives to have a Compensation Plan competitive with the industry and is designed to attract and retain highly qualified professionals. Kepler offers competitive salaries and a full benefits package. Kepler is an employee-owned company and each employee receives an equity stake in the firm.

Kepler's plan seeks to ensure that the total compensation package for Kepler employees attract and retain personnel with the right skills, education, experience, and clearances necessary to meet, even exceed, our contractual commitments. Kepler is committed to offering the government a high quality and sustainable work force.

Kepler's compensation should result in labor costs that are allowable and reasonable in accordance with the requirements of the FAR.

Kepler's President is responsible for all compensation policy requirements. Kepler's Board of Directors must agree to any major change to Kepler's policies.

Employees should also review Kepler's Employee Handbook.

## 2.0 SALARY

Kepler benchmarks compensation through market and industry surveys for professional classifications that cover a range of job types to include such areas as engineering, business analysis, systems engineering, and information technology.

Salaries are determined based upon such factors as:

- The extent to which the employee's level of education, years of experience, and professional certifications exceed the minimum requirements for the position,
- Job market-related pressure on salary levels,
- Internal equity considerations and budget constraints

When hiring a new employee or rehiring a former employee, the hiring supervisor, together with Kepler's President or Vice President of Business Operations will determine the employee's starting salary prior to making an employment offer.

### 2.1 Salary Increases

All Kepler employees, including full-time and part-time, are eligible to receive salary increases, salary adjustments, reclassification, bonuses, or promotions.



Continuing high levels of performance are recognized through the normal salary review process but can also be considered at any time outstanding performance needs to be recognized.

## **2.2 Annual Increases**

Annually, in October, supervisors will provide input regarding each employee's performance and recommend pay increases for each of their employees to the Vice President of Business Operations.

The President and the Vice President of Business Operations will review supervisor recommendations to determine if a salary increase is appropriate. If appropriate, market adjustments will be made at the same time. The President will decide the upper and lower limits for increases. Bonuses may also be given for extraordinary performance during the year. All salary increases will be decided by the President.

In some cases, no salary increase will be given if performance does not warrant one or if business conditions are unable to sustain pay increases.

## **2.3 Promotion**

Upon promotion to another position with higher responsibilities an employee will receive a salary increase determined by the President of Kepler and the employee's supervisor.

## **2.4 Reclassification**

An employee may be reclassified to a higher or lower position and their salary may change if there are significant changes in a position's duties and responsibilities. Movement of a position to a lower group may result in a salary decrease. A salary increase may be given if a job is upgraded.

Should an employee's workload decrease due to fluctuation in the contract(s) they support or an overall reduced workload for Kepler due to decreased contracts, an employee, charging direct or indirect, may be asked to work less hours and have their salary reduced.

## **2.5 Bonuses**

It is Kepler's policy to encourage and recognize extraordinary performance through awarding bonuses. Bonuses will be given to recognize and reward special efforts,

which have a very positive impact on Kepler's business, and which substantially exceed expected levels of performance. The award of bonuses can be at any time and may be considered during the annual salary review process.

Bonus payments shall not be counted as base salary. Because they are for "extraordinary" contributions, it is not expected that bonuses will be awarded annually or on any other regular basis. Supervisors may recommend an employee for a cash bonus, but the final determination is with the President and Board of Directors.

### **3.0 BENEFITS**

Kepler offers a comprehensive benefits package designed to meet the diverse needs of our employees. All full-time (averaging 30 hours a week) employee are eligible for benefits. If necessary, Kepler may make changes to the offered benefits, with Board of Directors approval. Employees will sign up for available benefits online with TriNet. TriNet is a Professional Employer Organization, that helps customer companies administer pay and benefits. Additional instructions will be provided on access and using TriNet.

A summary of these benefits is listed below:

#### **3.1 Medical, Dental, and Vision Insurance**

Kepler pays a contribution amount, which in most cases covers the employee's individual cost for medical, dental, and vision, but can be used towards family coverage.

Additional coverage is available for dependents at the employee's expense. An employee can choose from HMO or PPO plans.

#### **3.2 Life Insurance**

Kepler provides core life insurance to eligible employees in the amount equal to the employee's annual salary, rounded to the nearest \$1,000, up to a maximum of \$100,000. IRS rules will be followed to determine the FICA withholding amount and imputed income taxation and will appear on the employee's pay stub. Additional coverage for the employee and dependents is available at the employee's expense.

#### **3.3 401K**

401K plan allows employees to save for retirement and invest the savings while deferring current income taxes on the saved money and earnings until withdrawal. The employee will elect a certain percentage of their paycheck to be withheld each pay period and deposited into the company's plan. There is no waiting period to start. 401K maximum annual contributions



are subject to IRS guidelines. Guidance on setting up your 401k plan can be found in the Transamerica handout.

### **3.4 Parking / Metro Allowance**

Kepler will reimburse employees for work-related parking or Metro/bus transportation expenses up to the amount of the Federal Government's Transit Benefit for Federal Employees. Currently this amount is \$255 a month. This is for employees working at either a client site location or a Kepler office.

### **3.5 Educational Assistance Program**

Kepler management encourages employees to actively and continually seek opportunities to increase their knowledge and enhance their professional skills. To this end, Kepler's Educational Assistance Program provides tuition payments and other financial assistance to all eligible employees seeking university/college/community college-based degrees or certificates. Kepler prefers the continuing education be in a field related to Kepler's business areas.

University/college/community college-based individual courses and non university-based certificates will also be considered. Kepler's President approves program applications and the Vice President of Business Operations oversees the administration of the Program. Details are documented in Kepler's Educational Assistance Program.

### **3.6 Stock**

Kepler is an employee-owned company and all full-time employees will receive an award of stock which is subject to vesting when hired. All employees (part-time and full-time) are eligible for stock bonus awards that can be awarded by Kepler's Board of Directors. The stock bonus awards are also subject to vesting. The stock will vest 25% on 1 January of each year the employee is with Kepler. The employee must be employed by Kepler on 1 January to receive the stock certificate.

Vesting schedule for all stock awards:

- 1 January of 1st year following year of award 25% of the restricted shares
- 1 January of 2nd year following year of award 25% of the restricted shares
- 1 January of 3rd year following year of award 25% of the restricted shares
- 1 January of 4th year following year of award 25% of the restricted shares

### **3.7 Paid Time Off (PTO)**

PTO will be earned by eligible employees at the following rates:

- Executives will receive 120 hours during their first year with Kepler and 200 hours for their second and all following years.
- Managers (senior level business area heads who will be informed of their status at time of hiring) will receive 120 hours during their first year with Kepler Research and 160 hours for their second and all following years.
- Staff will receive 120 hours during their first 2 years with Kepler and 160 hours for their third and all following years.

The employee's anniversary date will be used for determining earned PTO.

The maximum number of PTO hours that can be carried forward for all employees is 80 hours for the first 2 years and 160 hours for years 3+. The cut off will be calendar year and not the employee's anniversary date.

For those employees who work less than 40 hours a week, but more than 30 hours will receive a prorated number of PTO hours.

### **3.8 Additional Types of Leave**

#### **3.8.1 Military Leave of Absence**

Upon request, employees are eligible for a leave of absence to serve in the active or reserve military services of the United States in accordance with applicable law. Kepler complies with the Uniform Services Employment and Re-employment Rights Act (USERRA). This Act applies to all employees who voluntarily or involuntarily perform services in the Armed Forces, Army National Guard, Public Health Services, or any other category of service designated by the President in time of war or emergency.

#### **3.8.2 Jury and Witness Duty Leave**

Kepler recognizes an employee's obligations to serve on state and federal juries. Eligible employees may receive a maximum of 24 hours of paid approved absence per calendar year. Court documentation will be required.

#### **3.8.3 Serious Illness in Immediate Household**

Eligible employees may receive a maximum of 24-hours of paid approved absence per calendar year to attend to the serious illness or injury (emergency) of a member of the employee's IMMEDIATE household. Immediate household members include spouse, child, parent, in-laws, dependent, or person who raised the employee in place of parents. For the purposes of this leave, immediate household may include children living with either parent.



### **3.8.4 Bereavement Leave**

Eligible employees may receive a maximum of 24-hours of paid Bereavement Leave per calendar year due to a death in the employee's immediate family. Immediate family for bereavement leave includes: spouse, child, parent, grandparent, grandchild, brother, sister, in-laws (father-, mother-, daughter-, and son- only), dependents living with the employee, and other relatives with whom the employee as acted as a parent or child.

### **3.8.5 Holidays**

All employees averaging over 30 hours a week will receive 10 Federal holidays each year.

### **3.9 Optional Coverage**

Short- and Long-Term Disability and Flexible Spending Accounts are available to employees at their expense.

## **4.0 EMPLOYEE RELOCATION**

Kepler believes there are times when paying for the costs of relocating an employee or future employee will be advantageous to the company. The applies to all full and part-time employees and new hire candidates. See Kepler's Employee Relocation Policy for complete guidance.

## **5.0 SEVERANCE PAY**

Severance pay will be paid if the departing employee, averaging more than 30 hours a week, signs Kepler's Employment Separation and Release Agreement.

## **6.0 ADDITIONAL GUIDANCE/FORMS**

- Kepler Employee Handbook
- Benefit Election Plan Information & Forms (Online with TriNet)
- Education Assistance Guidelines & Form
- 401K – TransAmerica Enrollment & Form
- Stock Incentive Plan & Restricted Stock Award Agreement