BONUS PROGRAM for NON-REPRESENTED CLASSIFIED STAFF

This bonus program allows for UVM non-represented staff to be recognized for exemplary work-related achievements that exceed standard job requirements and that significantly contribute to the advancement of the University mission.

A major goal of the University’s Career/Pay System is to incorporate flexible compensation practices. Therefore the University of Vermont began a ‘pilot’ implementation of the following bonus program for non-represented staff, effective July 1, 2004.

This program supports UVM’s compensation philosophy by rewarding successful outcomes and achievement of divisional and institutional goals and objectives well beyond standard job requirements. Bonuses associated with this program are granted at the sole discretion of the supervisory/management team. The Provost or his designee will appoint a committee to review the success and need for adjustment of this bonus program one year after its implementation.

CRITERIA FOR WHICH BONUSES MAY BE GIVEN

Criteria for which bonuses may be given will generally reflect **one-time work related efforts well beyond standard job requirements**. They may include, but not be limited to, the following:

- Accomplishments, contributions, or positive behaviors that significantly transform or advance the objectives of the University, division or department in areas such as customer service, public service, productivity, teamwork and project completion
- Innovative work or suggestions, well beyond standard job requirements, that significantly improve operational efficiencies, introduce a new or modified business practice or improve work process, workflow or customer service
- Significant professional honors, achievements or contributions that are relevant to the job and advance unit objectives
- Extraordinary achievement or contribution, such as successful completion of a special and difficult project, task or activity
- Unique and meaningful contributions to the employees professional field

CRITERIA FOR WHICH BONUSES WILL NOT BE GIVEN

They MAY include, but not be limited to, the following:

- Holiday bonuses (bonuses must be work-related)
• Achieving the required full performance standards (knowledge, skills and abilities) or achieving milestones in training or work level while progressing toward full performance standards

• Situations to which the provisions of other rules, collective bargaining contracts or delegated authority are applicable for salary increases

• When there are insufficient funds to give regular salary increases

• Increases in productivity resulting from simply transferring or reassigning responsibilities to another person or unit

• Increases in productivity at the expense of quality or service

• Every time efforts extend beyond the scope of a job description

IMPLEMENTATION

• This bonus program applies only to staff members who are not represented by a collective bargaining unit.

• Bonuses are discretionary and should not be viewed as an entitlement.

• A bonus will be a one-time payment to the employee and not considered as part of or an increase to their base salary or wage.

• Bonuses may be given to individuals, work groups, teams, or departments.

• Funding of bonuses will be the responsibility of the employing unit.

• Full fringe benefit rate will be charged on bonuses

• Bonuses will be processed on a Bonus Form, through the University’s payroll system. Appropriate deductions and Federal and State tax contributions will be taken.

• Bonuses must be approved by the appropriate dean or director, Human Resources/Classification & Compensation and the VP/Provost.

• The amount given to an individual will be at least $250 and all bonuses within the fiscal year will generally not exceed 5% of the employee’s annualized salary without the advance approval of the appropriate Dean/VP/Provost.

• Bonuses for any target area will not exceed 5% of the staff base budget wage/salary funds available in any fiscal year without the advance approval of the Provost.
• Bonuses will not be treated as regular compensation for the purposes of calculating University retirement contributions or for other employee benefits and deductions.

• Employees paid from grant funds or budgets that service and bill grants will be eligible to receive bonuses provided such awards are permitted and funded by the funding entity.

• Bonuses involving externally sponsored agreements must be approved by Grant and Contract Accounting. Units have the option of using non-restricted dollars to fund bonus payments.

• Bonuses are limited to monetary recognition of work-related efforts well beyond standard job requirements. (For monetary and non-monetary awards and prizes, refer to http://www.uvm.edu/controller/taxadmin/Prizes_and_Awards.htm.)

TAX IMPLICATIONS
Bonuses given to University employees are reportable as additional compensation and subject to federal, state and FICA/Medicare withholding.

Bonuses will be paid through payroll, reported as employee compensation on the employee's Form W-2, and subject to federal and state income tax withholding and FICA and Medicare taxes. The funding department or unit shall initiate the payment request by submitting to Human Resources a Bonus Form, specifying account chart field ‘57710’ and earnings code ‘520’ to allow proper tax withholding and reporting.

FAIR LABOR STANDARDS ACT IMPLICATIONS
Bonuses as monetary rewards paid to non-exempt employees may potentially increase the University's overtime liability. The Federal Fair Labor Standards Act (FLSA) divides bonuses into two categories: discretionary and non-discretionary.

**Bonuses paid to nonexempt employees under UVM’s bonus policy are discretionary.** Such bonuses will not increase the employee's regular rate of pay and therefore not affect the overtime rate of any overtime earned within the effective period of the bonus program. In cases when a bonus is promised or part of a contract it becomes non-discretionary for purposes of calculating overtime.

Discretionary bonuses are not included in the employee's regular rate of pay (including hourly rate, on-call pays, shift differentials, certain bonuses, contest prizes, and certain other items specified by FLSA). To qualify as a discretionary bonus, the timing and amount to be paid must be at the sole discretion of the manager representing the employer. Further, the payment cannot be made pursuant to any prior contract, agreement or promise causing the employee to expect such payment.

Non-discretionary bonuses must be included in the employee's regular rate of pay. A bonus is considered non-discretionary if the employer contracts, agrees or promises to pay an employee. Examples would include potential payments announced to an employee to induce greater
efficiency or productivity, to improve attendance, to remain with the employer and to improve the quality and accuracy of the work. If the non-discretionary bonus is paid to cover a particular length of time, the employer must examine every workweek within that period and calculate the additional overtime pay owed the employee.

Non-Discretionary Bonus Example: A planned recognition program awards a $1000 bonus to a nonexempt employee for improving attendance over an entire year. The employee's hourly pay is $10 per hour, $20,800 per year (assuming 40-hour workweek). Without the bonus, the employee's overtime rate would be $15.00 ($10 x 1.5). With the bonus, any overtime earned during the entire year would need to be recomputed and paid at $15.72 (20,800 +1,000 =21,800/2080 = 10.48 x 1.5 = 15.72).

OTHER TYPES OF COMPENSATION AT UVM

1. FISCAL YEAR SALARY INCREASE

It is expected that staff members will receive an annual increase to their base salary that is not discretionary in that it compensates an employee for work assigned. Fiscal year increases include an across-the-board increase if performance has been satisfactory. An additional amount is available to the target director to address market, equity, and extraordinary merit.

2. DELAYED FISCAL YEAR SALARY INCREASE

If funding for a fiscal year salary increase is not available on July 1, target directors may request during the ‘budget building’ process a post-July 1 base salary adjustment that is not discretionary in that it compensates an employee for work assigned. These adjustments are meant to address situations that can be anticipated during the budget process; they may be retroactive to July 1 and are processed using a Personnel Action form.

3. SUPPLEMENTAL COMPENSATION/ADDITIONAL PAYMENT

Supplemental compensation in the form of ‘additional payments’ is not discretionary in that it compensates a staff member for additional work assigned. The University’s policy on “Supplemental Compensation” allows staff members to be compensated for short-term assignments that are beyond their normal job responsibilities. Examples of assignments for which supplemental compensation may be paid include evening division instruction, instruction of in-house training sessions, participation in outreach activities, and short-term and specific consultation on a grant or to an administrative unit, when such activities are outside of normal job requirements. These payments must be approved in advance by the appropriate executive officer and are processed using a Bonus Form.

4. OFF-CYCLE BASE SALARY ADJUSTMENTS

Off-Cycle base salary adjustments are not discretionary in that they compensate employees for work assigned. Off-cycle increases are not meant to address performance; they are designed to address unanticipated organizational changes relative to market and equity issues in addition to changes in organizations that may not be classification-related. They are determined on a case by case basis in consultation with Classification & Compensation, and become effective when they are approved, using a Personnel Action Form.