

**SECTION:** Human Resources  
**SUBJECT:** Employment Hiring Process – Incentive Pay Process Documentation  
**APPLIES TO:** All Regular Staff Members (Excludes Temporary Employees)

**Incentive Pay Process Overview**

The objective of the incentive pay process is to provide an alternative form of competitive compensation method in attracting and retaining high performing individuals and work groups where compensation is tied to the individual or group performance. Incentive pay plans are defined in advance with clear performance metrics that, if met, make the payment of the incentive non-discretionary.

**Incentive Pay Process**

| Activity  | Responsibility   | Reference/Comments   |
|---|--|--|
| Incentive Pay plan should be clearly documented and reviewed by University HR, General Counsel, Financial Operations, the Tax Department, and the sponsoring VP before the incentive period begins.             | Department Hiring Manager<br>(See <i>Appendix A</i> )          |  |
| Calculate if incentive pay is warranted based on agreed upon metrics and guidelines established in original agreement.<br><br>Contact FBS for assistance with calculation of incentive pay.                     | Department Hiring Manager<br>(See <i>Appendix A</i> )          | Incentive calculation should be based on data that cannot be manipulated by employees receiving incentive pay other than through actual performance  |
| Review and approval of payment. Once reviewed and approved, complete the SSC HR eForm for processing.<br><br>Ensure proper incentive code is selected based on rules for retirement savings contribution match. | Higher Administrative Authority than Department Hiring Manager | Performed by staff not receiving incentive pay.<br><br>For more information, see <a href="https://hr.umich.edu/working-u-m/management-administration/compensation-classification/additional-pay-resources/earnings-codes-tool">https://hr.umich.edu/working-u-m/management-administration/compensation-classification/additional-pay-resources/earnings-codes-tool</a> |
| SSC HR will execute payment through PAR workflow in MPathways.  | SSC  | Incentive pay should be recorded so that it is separately identifiable.  |
| Annually, review data used for performance measures to ensure it is consistently presented and that it is still adequate and appropriate.   | Department Hiring Manager<br>(See <i>Appendix A</i> )          |  |
| Annually, review total incentive pay relative to total pay and forward to department hiring manager for review.   | FBS  |  |
| Review total incentive pay relative to total pay provided by FBS to ensure activity is consistent with goals of incentive pay program.  | Department Hiring Manager<br>(See <i>Appendix A</i> )          |  |

**Other related information:**

Key Contacts:

- Additional employment resources for departments can be found on the Recruiting and Employment Services website at <http://www.umich.edu/~hrra/empserv/department/employ.html>.
- Contact FBS for Wolverine Access or Business Objects access questions.
- For University HR assistance or concerns contact FBS.

Related Standard Practice Guides:

- Incentive Pay SPG currently under development.
- Refer to [SPG 201.65-1 Conflicts of Interest and Conflicts of Commitments](#)
- Refer to [SPG 604.1, Department Record Retention For Business and Financial Records](#), to determine the proper record retention period.
- For Payroll related guidelines and controls, please refer to [SPG 518.1, Payroll Controls](#)

**Record of Revisions:**

| <b>Date of Issue</b> | <b>Description of Change</b>                              | <b>Page(s) Affected</b> | <b>Approved By</b> |
|----------------------|---|-------------------------|--------------------|
| 7/11/2007            | Original template created                                 | All                     |                    |
| 11/22/2011           | Modified to reflect FBS process                           | All                     |                    |
| 1/15/15              | Incentive code for retirement contribution                | 1                       |                    |
| 10/24/2016           | Adopted “new” FY2017 template                             | All                     |                    |
| 09/2017              | Added more info URL on determining proper incentive code. | 1                       |                    |
| 08/2018              | Updated URL for retirement savings contribution           | 1                       |                    |

**Document Owner:** Fleming Business Services (FBS) supported departments and FBS

**Administrative Owner:** FBS