**SECTION**: Human Resources

**NOTE:** Any changes to process due to pandemic or remote work should be documented in procedures.

**SUBJECT**: Employment Hiring Process - (Supplemental Pay) Incentive Pay Process Documentation

**APPLIES** **TO**: All Regular Staff Members (Excludes Temporary Employees)

**NOTE: Changes for FY2023 are identified in red text**

**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. | [insert appropriate person/position] Administrator, HR Officer, Dept Manager | For specific procedures go to [Compensation and Classification Tools and Procedures](https://hr.umich.edu/working-u-m/management-administration/compensation-classification/compensation-classification-tools-procedures). See “Alternative Compensation Approaches.” |
| Calculate if incentive pay is warranted based on agreed upon metrics and guidelines established in original agreement. | [insert appropriate person/position] Administrator, HR Officer, Department Manager - - should be performed by staff not receiving incentive pay | Incentive calculation should be based on data that cannot be manipulated by employees receiving incentive pay other than through actual performance |
| Obtain approval of calculated incentive pay by University HR, General Counsel, and Financial Operations before being paid.  ***NOTE:*** *This includes additional pay processed through batch upload.*  ***NOTE:*** *If required by unit or institutional guidance, additional approvals are obtained during expenditure reduction (budget freeze).* | [insert appropriate person/position] Administrator, HR Officer, Dept Mgr - - should be performed by staff not receiving incentive pay |  |
| Ensure proper incentive code is selected based on rules for retirement savings contribution match. | [insert appropriate person/position] Administrator, HR Officer, Department Manager - - should be performed by staff not receiving incentive pay | For more information, see the Earnings Codes Tool:  <https://hr.umich.edu/working-u-m/management-administration/compensation-classification/additional-pay-resources/earnings-codes-tool> |
| Execute payment of incentive pay consistent with approved calculations. | [insert appropriate person/position] Administrator, HR Officer, Department Manager | Incentive pay should be recorded so that it is separately identifiable |
| Annually, review data used for performance measure to ensure it is consistently presented and that it is still adequate and appropriate. | [insert appropriate person/position] Administrator, HR Officer, Department Manager |  |
| Annually, review total incentive pay relative to total pay to ensure activity is consistent with goals of incentive pay program. | [insert appropriate person/position] (Sponsor of Incentive Pay/Senior Management) |  |

Other related information:

Key Contacts:

* Contact HR Officer [insert HR Office or equivalent name] for any concerns.
* For University HR assistance contact University HR Rep.
* For additional review and approval assistance, contact General Counsel, Tax Department, and Financial Operations [insert key contact names]

Related Standard Practice Guides:

* Incentive Pay SPG currently under development.
* Refer to [SPG 201.65-1 Conflicts of Interest and Conflicts of Commitments](http://spg.umich.edu/policy/201.65-1)
* Refer to [SPG 604.01, Departmental Record Retention for Business and Financial Records](http://spg.umich.edu/policy/604.01), to determine the proper record retention period.
* For Payroll related guidelines and controls, please refer to [SPG 518.01, Payroll Controls](http://spg.umich.edu/policy/518.01)

Record of Revisions:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date of Issue** | **Description of Change** | **Page(s) Affected** | **Approved By** |
| 7/11/2007 | Original template created | All | [insert name] |
| 1/15/15 | Incentive code for retirement contribution | 1 |  |
| 11/2016 | Updated Link | 2 |  |
| 11/2017 | Updated link | 1 |  |
| 10/2018 | Reviewed for FY19 updates – No changes noted |  |  |
| 11/2019 | Added link to Compensation and Classification Tools and Procedures | 1 |  |
| 12/2020 | Added note for additional approvals during budget freeze. | 1 |  |
| 7/1/2021 | Added note about approvals for batch uploads | 1 |  |
| 12/2021 | Clarifying language | 1 |  |
| 12/2022 | No change |  |  |

Document Owner: [insert name], [insert title]

Administrative Owner: [insert name], [insert title]