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

FINANCE
UNIVERSITY OF MICHIGAN

SECTION: Human Resources

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

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

NOTE: This document has been revised as part of the Annual Internal Controls Update

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 (See Appendix A)	For specific procedures go to Compensation and Classification Tools and Procedures. See "Alternative Compensation Approaches."
Calculate if incentive pay is warranted based on agreed upon metrics and guidelines established in original agreement.	Department Hiring Manager, Administrator (See Appendix A)	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).*	Department Hiring Manager (See Appendix A)	
Ensure proper incentive code is selected based on rules for retirement savings contribution match.	Department Hiring Manager (See Appendix A)	For more information, see the Earnings Codes Tool.
Execute payment of incentive pay consistent with approved calculations.	Department Hiring Manager (See Appendix A)	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.	Department Hiring Manager (See Appendix A)	

Annually, review total incentive pay relative to total pay to ensure activity is consistent with goals of incentive pay program.	Department Hiring Manager (See Appendix A)	

Other related information:

Key Contacts:

- Contact HR Officer 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.

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 604.01, Departmental Record Retention for Business and Financial Records, to determine the proper record retention period.
- For Payroll related guidelines and controls, please refer to SPG 518.01, Payroll Controls

Record of Revisions:

Date of Issue	Description of Change	Page(s) Affected	Approved By
7/11/2007	Original template created	All	Eric Sortor
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		
12/2023	No change		
11/2024	No change		
11/2025	Updated link per Accessibility Quick Tips	1	

Document Owner: Executive Business Services (EBS) supported departments and EBS
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