

## DISCRETIONARY MERIT COMPENSATION

### Organizational Scope

This plan covers all employees of the Public Service Commission of Wisconsin (PSC), as well as the Office of the Commissioner of Railroads (OCR). Approvals will be handled by each appointing authority. Division of Administrative Services will handle the forwarding of these requests to OSER for their review.

### Concept

Discretionary Merit Compensation (DMC) provisions of the state of Wisconsin's compensation plan give the Chairperson of the Public Service Commission of Wisconsin (or the Commissioner of Railroads) the sole discretion to provide employees timely economic recognition for significant and permanent changes in job duties, increased competencies, merit, or to address pay equity issues or retention needs. **No step in this process, be it the granting, denial, or amount of any DMC, is grievable.**

**1.0 Eligibility.** All permanent and project employees in positions allocated to classifications assigned to broadband pay schedules and unclassified employees not serving fixed terms are eligible to be considered for DMC **except** the following:

- **All PSC Commissioners and the Commissioner of Railroads.**
- Employees whose job performance in the previous fiscal year was rated below satisfactory.
- **Supervisors who did not complete formal performance evaluations** in the previous 12 months on all subordinate employees for whom performance evaluations are required.
- Any employee paid at or above the applicable pay range maximum may not receive a base-building DMC.
- Any classified employee in a non-broadband pay range may not receive a base-building DMC, and any lump-sum DMC received shall be for merit only.

**1.1 Eligible employees who may not receive lump-sum payments include those in the positions from s. 20.923(4) and (7) through (12), Wis. Stats., including:**

- All Department Secretaries;
- All Department Deputy Secretaries;
- All Department Executive Assistants: **including PSC Executive Assistants;**
- All unclassified Division Administrators not serving a fixed term.

**2.0 Amount.** DMC may be granted in any amount up to the **Within Pay Range Step (WRPS)** maximum limitation per fiscal year, i.e., do not have to be granted in amounts equal to within pay step values — as a base-pay adjustment, in a lump-sum payment, or in combination at the discretion of the appointing authority.

**2.1** For the purpose of applying the **WRPS** limitation, a lump sum payment shall be converted to a base-pay equivalent by dividing the lump sum by 2088. DMC may be granted to eligible classified employees in any amount up to **4 WRPS**, subject to the maximum of the pay range.

**(2.1.1)** Classified employees in positions allocated to non-broadband pay ranges may only receive DMC for merit in lump-sum payments. Classified employees allocated to broadband pay ranges may receive DMC as a lump sum, base building or a combination of both.

**(2.1.2)** Classified employees may receive more than one DMC during the fiscal year, however, the total amount granted in the form of base-building and/or lump-sum DMC in the fiscal year may not exceed an amount equal to **4-WRPS**, except as provided in (2.1.3) below. The DMC **4-WRPS** limit, per fiscal year, per employee, includes DMC granted by a single agency or by multiple agencies. **Employees may self-nominate in writing to their supervisor not more than once per fiscal year.**

**(2.1.3)** Under exceptional circumstances, an appointing authority may submit a request to the OSER Director to exceed the **4-WRPS** limit specified in (2.1) and (2.1.2) above. This request must be accompanied by a comprehensive written justification.

**2.2** Amount for Employees in **Unclassified Positions covered by Section B of the Compensation Plan** who are Not Serving a Fixed Term.

**(2.2.1)** Except as provided in (2.2.3) below, the DMC may be granted to eligible unclassified employees in any amount up to **2-WRPS for merit only**, subject to the maximum of the pay range. Except as noted below, DMC may be granted as a base-pay adjustment, a lump-sum payment, or in combination at the discretion of the appointing authority. For the purpose of applying the **2-WRPS** limitation, any lump-sum payment shall be converted to a base-pay equivalent by dividing the lump sum by 2088. Lump-sum payments are strictly prohibited for employees whose positions are referred to in s. 20.923(16), Wis. Stats.

**(2.2.2)** An unclassified employee may receive more than one DMC during the fiscal year, however, the total amount granted in the form of base-building and/or lump-sum DMC in the fiscal year may not exceed an amount equal to **2-WRPS**, except as provided in (2.2.3) below. The DMC **2-WRPS** limit, per fiscal year, per employee, includes DMC granted by a single agency or by multiple agencies. **Unclassified Employees may self-nominate in writing to their supervisor not more than once per fiscal year.**

**(2.2.3)** Under exceptional circumstances, an appointing authority may submit a written request to the OSER Director to exceed the **2-WRPS** limit specified in

(2.2.1) and (2.2.2) above. This request must be accompanied by a comprehensive justification.

**3.0 Funding.** All awards are funded from the Commission's salary line. The salary line cannot be supplemented to cover costs of these awards. Use of the DMC may therefore be limited by the Commission's financial condition.

**4.0 Criteria.** Criteria to be considered in the granting of DMC:

**4.1 Merit:** Applicable for broadband, non-broadband and eligible unclassified employees in recognition of superior or meritorious performance.

Merit criteria/factors, which **should** be considered, include:

- Length or frequency of the outstanding performance
- Overall significance or importance of the employee's work products to the organization;
- Regularity with which the outstanding performance or unique contribution is demonstrated (e.g., an employee who routinely demonstrates exceptional performance and performs special projects on an ongoing basis, as compared to an employee who completes a one-time special project).

Merit-related criteria/factors that **may** be considered include:

- Employee has new permanent job duties and/or responsibilities of growing importance to the agency that have been either newly assigned or were an evolution of their originally assigned functions. The new duties are of greater scope, impact and/or complexity compared to previous functions; or
- Employee has acquired additional competencies, which are both specialized and critical in carrying out the permanent functions of the position.

**4.2 Pay Equity:** Applicable for broadband employees only. This can be applied when the employee's salary has been determined to be lower than that of other state employees performing the same or similar duties at the same level of proficiency and who have comparable years of relevant service; or there is significant pay compression between the employee and his/her immediate subordinates; or established labor market data identifies a need to award market adjustments in order to achieve equity with external public/private employers.

**4.3 Retention:** Applicable for broadband employees only. This can be applied when the employee possesses special skills that are in high demand in other organizations or loss of the employee's knowledge and experience would be a detriment to the agency, therefore requiring a pay adjustment be made in order to retain the employee.

**Note:** Lump-sum DMC (as opposed to base building) are generally granted for outstanding performance on a special assignment/project or a one-time, work-related situation that reflected positively on the agency. Lump-sum DMC may also be used for employees who are ineligible for a base-building DMC because they are at or above the pay range maximum.

**5.0 Administrative Procedures for Granting DMC.** Division Administrators and the Chairperson (Or Commissioner of Railroads in the case of OCR requests) have the sole authority to recommend a DMC for subordinate employees at any time during a fiscal year. Supervisors can recommend DMC for their staff, but the Division Administrator has final approval on submittal to the Chairperson.

The Administrator of the Division of Administrative Services (DAS) will provide technical assistance in interpreting award criteria, as needed. The justification must be submitted to the DAS Administrator, after which the complete DMC proposal will be forwarded to the Chairperson for review. The Commissioner's Office has the discretion to approve or deny award of DMC. All DMC will be approved by OSER prior to being granted.

#### 5.1 Division Administrator Recommendations

- **Step 1:** For each DMC, a **OSER Justification for Discretionary Merit Compensation (DMC) Award** request form (Attachment A) needs to be completed, specifically describing the reason(s) for granting the DMC (based on the criteria referenced above in Section 4.0); the type of award recommended (base-building or lump-sum, where applicable); and the proposed amount of the award.
- **Step 2:** Forward the completed **OSER Justification for DMC Award** request form to the DAS Administrator.

#### 5.2 DAS Review and Approval

- **Step 1:** Justification(s) reviewed by the DAS Administrator for consideration and processing. Any incomplete forms will be returned to the requester for completion.
- **Step 2:** The DAS Administrator will review the proposed award amounts with the Director of Financial Services to ensure adequate funding.
- **Step 3:** The DAS Administrator will compile a list of recommendations, with suggested award amounts to the Chairperson or his/her designee for review.
- **Step 4:** The Chairperson, or his/her designee, has the sole discretion to approve, deny, or amend the award of DMC. Once those decisions are made, approved **OSER Justification for DMC Award** request forms are returned to the DAS Administrator for compilation and submittal to OSER with the completed **DMC Excel Report** (Attachment B). This Excel spreadsheet must accompany all DMC recommendations submitted to OSER via the **OSER DCLR DMC mailbox**. The Excel Report spreadsheet should contain all of the key information for each DMC submitted. **Multiple DMC recommendations being submitted to OSER at the same time can be placed on one Excel spreadsheet.**

#### 6.0 Effective Date

DMC may be granted at any time during the fiscal year. The effective date of an adjustment will be the beginning of the first pay period following effective receipt (as defined in Section I, 3.00 of the

Compensation Plan) of the DMC recommendation. Effective receipt for the Public Service Commission or the Office of Commissioner of Railroads is the date the Commissioner's Office receives the recommendation from the DAS Administrator. No DMC may be retroactive. If multiple pay adjustments have the same effective date, DMC will be applied to an employee's base pay according to Section I, 4.01 of the current Compensation Plan. **No DMC may be granted on the effective date of an appointment.**

#### **7.0 Reporting Requirements**

The Division of Administrative Services will comply with all reporting requirements as specified in the relevant Compensation Plan and as requested by the Office of State Employment Relations.

**DMC Provisions for the current Compensation Plan are attached and can be found at <http://oser.state.wi.us>**

#### **Attachments (links to files/webpage):**

A: [OSER Justification for Discretionary Merit Compensation Award request form](#)

B: [DMC Excel Report \(accompanying recommendations\)](#)

C: [DMC Provisions for 2011-2013 Compensation Plan](#)

## JUSTIFICATION FOR DISCRETIONARY MERIT COMPENSATION (DMC) AWARD

AGENCY:	EMPLOYEE NAME:	CLASSIFICATION TITLE:	PAY SCHEDULE & RANGE:
<b>CRITERIA</b>		<b>JUSTIFICATION</b>	<b>INCREASE AMT. Hourly or Lump Sum</b>
<p><b>Merit:</b> Employee recognition for superior or meritorious performance. Merit criteria/factors which should be considered include:</p> <ul style="list-style-type: none"> <li>• Length or frequency of the outstanding performance</li> <li>• Overall significance or importance of the employee's work products to the organization;</li> <li>• Regularity with which the outstanding performance or unique contribution is demonstrated (e.g., an employee who routinely demonstrates exceptional performance and performs special projects on an ongoing basis, as compared to an employee who completes a one-time special project)</li> </ul> <p>Merit-related criteria/factors which may be considered include:</p> <ul style="list-style-type: none"> <li>• Employee has new permanent job duties and /or responsibilities of growing importance to the agency that have been either newly assigned or were an evolution of their originally assigned functions. The new duties are of greater scope, impact and/or complexity compared to the previous functions; or</li> <li>• Employee has acquired additional competencies, which are both specialized and critical in carrying out the permanent functions of the position.</li> </ul> <p><b>Pay Equity:</b> The employee's salary has been determined to be lower than that of other state employees performing the same or similar duties at the same level of proficiency and who have comparable years of relevant service; or there is significant pay compression between the employee and his/her immediate subordinates; or established labor market data identifies a need to award market adjustments in order to achieve equity with external public/private employers.</p> <p><b>Retention:</b> The employee possesses special skills that are in high demand in other organizations or loss of the employee's knowledge and experience would be a detriment to the agency, therefore, requiring a pay adjustment be made in order to retain the employee.</p>		<p>Provide justification on page 2 of this document.</p>	<p>NUMBER OF WRPS OR EQUIVALENT</p>
<b>DMC RECOMMENDATION</b>			
<b>Old Base Salary</b>	<b>New Base Salary</b>	<b>Funding Source(s):</b>	<b>DMC Effective Date:</b>
			<b># Prior WRPS in Same FY:</b> <b>PUA in last 12 months:</b>
			<input type="checkbox"/> No <input type="checkbox"/> Yes    Effective Date: _____
<b>Recommended By (Supervisor):</b>	<b>Date:</b>	<b>Budget Approval (Funding approval only):</b>	<b>Date:</b>
			<b>Division Administrator Approval:</b>
<b>AGENCY HEAD APPROVAL (signature):</b>		<b>APPROVED:</b>	<b>DENIED:</b>
		Base Pay Adjustment:	Lump Sum:
<b>OSER APPROVAL:</b>		<b>APPROVED:</b>	<b>DENIED:</b>
		Base Pay Adjustment:	Lump Sum:
<b>AGENCY CONTACT NAME:</b>		<b>CONTACT PHONE NO.:</b>	

**JUSTIFICATION:**

<b>CRITERIA (Check all that apply):</b>	
<input type="checkbox"/> Merit	<input type="checkbox"/> Employee received performance evaluation within last 12 months <input type="checkbox"/> Employee is a supervisor and has completed required performance evaluations for all subordinates
<input type="checkbox"/> Pay Equity	<input type="checkbox"/> Employee is a supervisor and has completed required performance evaluations for all subordinates
<input type="checkbox"/> Retention	<input type="checkbox"/> Employee is a supervisor and has completed required performance evaluations for all subordinates
<b>JUSTIFICATION NARRATIVE (Provide specifics and supporting documentation below):</b>	

## INSTRUCTIONS FOR DMC JUSTIFICATION FORM COMPLETION

All areas of the form *must* be completed by the agency; incomplete forms will be returned to the sending agency for completion and resubmittal. Below is the list of boxes contained on this DMC form with instructions for completion.

### Page 1

1. **Agency** – Agency name or agency acronym (including secondary level or campus)
2. **Employee Name** – Employee last name, first name, and middle initial
3. **Classification Title** – Employees full classification title (not working title); position title for unclassified employees
4. **Pay Schedule & Range** - Numerical pay schedule and range
5. **Increase Amount** – Increase amount to be provided as a lump sum payment or the base increase amount
6. **Number of WRPS or Equivalent** - Calculate the number of WRPS equivalent for each DMC (base and or lump sum) awarded. For lump sum awards, calculate number of WRPS by dividing the award by 2088, then divide that amount by the applicable WRPS amount from the pay schedule (or 3% of minimum for pay ranges not having a listed WRPS)
7. **Old Base Salary** – Employee’s base pay rate prior to the DMC
8. **New Base Salary** - Employee’s base pay rate after the DMC
9. **Funding Sources** - List source of agency funds used to pay for DMC, e.g., GPR, PRO, SEG, etc.
10. **DMC Effective Date** – Date should reflect the “effective date of receipt by agency” as the effective date of DMC
11. **# of Prior WRPS in Same FY** – Show total WRPS of any previous DMC in the same fiscal year
12. **PUA in last 12 months** - Broadbanded employees only, show last date(s) of pay upon appointment, if any
13. **Recommended By; Budget Approval; Division Administrator Approval** - This yellow shaded area may be modified consistent with the agency’s internal approval process included in their DMC policy. **Agency Head Approved/Denied** - Appointing Authority or designee (Deputy or Executive Assistant only): This signature line may not be modified and every DMC recommendation form must include this signature.
14. **OSER Approved/Denied** - OSER completes
15. **Agency Contact Name** – Identify agency staff who will respond to OSER questions about the DMC recommendation and to whom OSER’s review results will be returned.

### Page 2

16. **Criteria** - (place an X next to applicable criteria) All merit criteria DMC recommendations must show that the employee has had a performance evaluation in the past 12 months, and if the employee is a supervisor, the employee must have completed performance evaluations for all subordinates (check boxes to confirm these statements)
17. **Justification** - Provide specifics and attach any supporting documentation.
18. **Submit the completed and approved form, along with the DMC Request spreadsheet form OSER-DCLR-221 (see Attachment 2), to** the OSER DCLR DMC Request mailbox at [OSERDCLRDMCRequests@wisconsin.gov](mailto:OSERDCLRDMCRequests@wisconsin.gov).



Discretionary Merit Compensation (DMC) Report Form														
Department	Employee Name	Adjusted Continuous Service Date	DMC Effective Date	Date of last PUA*	Class Code	Classification Title	Pay Sched	Pay Range	Pay Rate Prior to Increase	DMC Base Pay Award Amount	Pay Rate Following Increase	DMC Lump Sum Amount	DMC Award Type	Criteria Code(s)
Administration	Smith, Sue	5/20/2003	1/15/2012	n/a	9510	Program & Policy Analyst - Adv Conf	81	3	26,000	1,944	27,944	0	base pay	1,2
Administration	Dee, James	4/12/1998	1/29/2012	7/18/2010	65221	Police Sergeant	56	1	28,202	0	28,202	500	lump sum	1

Use these samples as a guide; please use cell formatting in these samples for all DMC requests.

\*PUA = Pay Upon Appointment (within 12 months of DMC effective date of receipt)