

**DISCRETIONARY MERIT COMPENSATION POLICY**  
**Labor & Industry Review Commission**

**I. Authority**

In accordance with Section J of the State of Wisconsin Compensation Plan, the appointing authority has the discretion to grant Discretionary Merit Compensation (DMC) awards.

**II. Eligibility**

All permanent and project classified employees and unclassified employees in the Agency are eligible to be considered for a DMC except the following:

- Employees whose job performance in the previous fiscal year was rated below satisfactory.
- Supervisors who did not complete formal performance evaluations within the past 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.
- Unclassified employees serving a fixed term are not eligible for a DMC award.

**III. DMC Concept**

The DMC is not intended to be used as a general economic adjustment but rather to provide the agency with the discretion to provide economic recognition for "merit", to address "pay equity" or "retention" needs. The granting of, denial of, or amount of any DMC award is not grievable.

**IV. Merit**

Merit shall be defined as sustained exemplary performance of unusually difficult or sensitive work assignments that results in major contribution to meeting the mission of the Agency or demonstration of strong leadership in strategic planning efforts.

**V. Pay equity**

Pay equity shall be defined as a situation where the employee is determined to have a salary that is lower than other employee(s) performing the same type of work at the same level of proficiency and with comparable years of relevant service or a significant compression between employees' and supervisor pay.

**VI. Retention**

Retention shall be defined as the knowledge base or skill sets an employee utilizes which, if lost, would disrupt operations and/or be costly to replace.

## VII. Authorization of Agency's Policy and Procedures

The Agency's DMC policy and administrative procedures must be reviewed and approved by the Office of State Employment Relations (OSER), Division of Compensation and Labor Relations (DCLR) prior to recommendations being sent to DCLR. After review of the policy and administrative procedures, the Agency's appointing authority will receive authorization to recommend DMC awards. Consideration must be applied in a uniform manner throughout the Agency or employing unit. DCLR must review and approve each recommendation from the Agency prior to granting the DMC award.

## VIII. Consideration Time Period

The Agency will consider a limited number of DMC recommendations at times and on a schedule as determined by the Chairperson. Supervisors will be informed of when DMC recommendations will be considered.

DMC recommendations on the basis of retention may be considered at any time.

## IX. Recommendations for DMC awards

Recommendations for DMC awards shall be submitted on the OSER Justification for DMC form OSER DCLR 220 designated for that purpose.

Employees may self-nominate in writing to their supervisor no more than once per fiscal year.

## X. Effective Date

The effective date of an approved award will be the beginning of the first pay period following effective receipt of the DMC recommendation by the General Counsel.

## XI. Criteria, Type, Amount, and Frequency

Depending on the type of position (e.g., classified in a broadbanded schedule, classified in a non-broadbanded schedule, unclassified) the eligible employee is allocated to, the DMC may be base building, lump sum or a combination of base building and lump sum. Also, the criteria for the DMC awards differ depending on the type of position. For each employee group, the following chart shows the applicable criteria, type, amount and yearly limits.

Employee group	Classified permanent and project employees assigned to <b>broadbanded</b> schedules	Classified permanent and project employees assigned to <b>non-broadbanded</b> schedules
Criteria	Merit Pay equity Retention	Merit
Type	Base building; or Lump sum; or	Lump sum

	Combination of base building and lump sum	
Amount	Any amount up to 4 within range pay steps (WRPS) or the equivalent of 4 WRPS multiplied by 2088 for lump sum payments. Base building awards are subject to the pay range maximum.	Any amount up to the equivalent of 4 WRPS multiplied by 2088
Yearly limit	An employee may receive more than one DMC during a fiscal year but the total granted may not exceed an amount equivalent to 4 WRPS.	An employee may receive more than one DMC during a fiscal year but the total granted may not exceed an amount equivalent to 4 WRPS.

Under exceptional circumstances and with prior approval of the Director of the Office of State Employment Relations, a DMC may be awarded which exceeds the WRPS limit. The individual increase limit provided in s. 230.12(5)(d), Wis. Stats., does not apply to the DMCs.

## **XII. Budget Review**

Prior to the Chairperson submitting any DMC recommendation to OSER for approval, a Department of Workforce Development budget analyst will review and ensure that sufficient funds are available to cover the recommended awards.

## **XIII. Communication of DMC Policy and Administrative Procedures**

After the OSER approves the Agency's DMC policy and administrative procedures, the Agency will share the policy and administrative procedures with staff.

## **XIV. Administrative Procedures**

The General Counsel will inform supervisors of the deadline to submit recommendations for DMC awards and notify staff.

Any written self-nomination received by a supervisor shall be acknowledged in writing by email and shall be forwarded by the supervisor to the General Counsel for consideration.

Self-nominations must identify the criteria (i.e. merit, pay equity, retention) and include a justification with specific details.

Self-nominations will be held until the Chairperson has indicated recommendations are being accepted.

The supervisor will inform an employee if their recommendation is not submitted for consideration by the Chairperson or if the recommendation is not forwarded to DCLR for approval.

Adopted by the Commission on January 19, 2012.

**JUSTIFICATION FOR DISCRETIONARY MERIT COMPENSATION (DMC) AWARD**

<b>AGENCY:</b>	<b>EMPLOYEE NAME:</b>	<b>CLASSIFICATION TITLE:</b>		<b>PAY SCHEDULE &amp; RANGE:</b>
<b>CRITERIA</b>				
<p>Merit: 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>				
		<b>JUSTIFICATION</b>	<b>INCREASE AMT. Hourly or Lump Sum</b>	<b>NUMBER OF WRPS OR EQUIVALENT</b>
		Provide justification on page 2 of this document.		
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<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>Recommended By (Supervisor):</b>	<b>Date:</b>	<b>Budget Approval (Funding approval only):</b>	<b>Date:</b>	<b>Division Administrator Approval:</b>
<b>DMC RECOMMENDATION</b>				
<b>AGENCY HEAD APPROVAL (signature):</b>		<b>APPROVED:</b>	<b>DENIED</b>	<b>DATE:</b>
		Base Pay Adjustment:	Lump Sum:	
<b>OSER APPROVAL:</b>		<b>APPROVED:</b>	<b>DENIED</b>	<b>DATE:</b>
		Base Pay Adjustment:	Lump Sum:	
<b>AGENCY CONTACT NAME:</b>		<b>CONTACT PHONE NO:</b>		

**JUSTIFICATION:**

**CRITERIA (Check all that apply):**

Merit

Employee received performance evaluation within last 12 months

Employee is a supervisor and has completed required performance evaluations for all subordinates

Pay Equity

Employee is a supervisor and has completed required performance evaluations for all subordinates

Retention

Employee is a supervisor and has completed required performance evaluations for all subordinates

**JUSTIFICATION NARRATIVE (Provide specifics and supporting documentation below):**

## 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.

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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).**