

**Wisconsin Department of Transportation  
Discretionary Merit Compensation Policy  
Policy to be effective January 1, 2012  
Final Confidential – December 11, 2011**

## **Policy and Background**

The department's Discretionary Merit Compensation (DMC) program is intended to provide agency management with the discretion to provide employees economic recognition for performance/merit or to address pay equity or retention needs. The department will follow the provisions provided under Section J of the State Compensation Plan (Provisions for Administering Discretionary Merit Compensation).

The department is committed to grant DMC in an equitable and consistent manner, following approved agency criteria. DMC may be granted in either base building or lump sum amounts. Funding for DMC will be provided by the agency or by provisions identified in the compensation plan.

DMC may be granted at any time during the fiscal year. However, the department will typically use the annual performance evaluation process to review and grant DMC for exceptional performance/merit. The department places significant importance on the annual performance evaluation process. Management is required to complete a performance evaluation and set new goals and expectations for employees each year. The department's performance evaluation process is described in TAM 48.

## **Eligibility**

This policy covers all permanent (classified and unclassified) and project employees in the department, except for those classified as State Patrol Troopers and State Patrol Inspectors. In addition, covered employees will not be eligible for DMC if they meet any of the following criteria:

1. Employees whose job performance in the previous fiscal year was rated unsatisfactory.
2. Supervisors who did not complete formal performance evaluations in the past 12 months on all subordinate employees for whom performance evaluations are required.
3. Any employee paid at or above the applicable pay range maximum may not receive a base-building DMC.
4. Crafts Workers and Crafts Worker-related employees.

## **Criteria and Considerations**

The department may provide DMC using one or more of the following three (3) reasons:

1. Performance/Merit
2. Pay Equity
3. Retention

The department has identified the below criteria to be used as reference when determining DMC nominations. The applicable criteria should be referenced on the Office of State Employment Relation's Justification Form for DMC Nomination.

### Performance/Merit Criteria:

- Employee has sustained a high level of performance and is expected to continue performing at that level.
- Employee's work performance and work products are outstanding and have made a significant impact in terms of overall value to the specific program goals or to agency goals.
- Employee has contributed to the advancement of teamwork and quality improvement processes in the agency and/or continuously seeks to improve work products and procedures within the organization.
- Employee has demonstrated the ability to creatively resolve complex, sensitive problems and issues affecting his/her division or the department.
- Employee has demonstrated leadership in the development and/or implementation of performance measures within the organization.
- Employee has been instrumental in successfully guiding their division/bureau/region/section/unit in achievement of performance measures.
- Employee has demonstrated leadership in strategic planning in the organization.
- Employee has been instrumental in developing effective partnerships between the department and outside interest groups.
- Employee consistently demonstrates outstanding leadership skills and initiatives.
- Employee is a recognized expert and is regularly sought out for advice and consultation.
- Employee has been assigned or successfully completed a project that is outside the normal responsibility of his/her position.
- Individual was assigned a special project that was related to a recognized critical function of the department.
- Individual took initiative on his/her own, which resulted in a positive, measurable improvement to the department or its programs.

### Pay Equity Criteria:

- Comparison of the position to other positions within the department and state service in the same classification with similar job content and job qualifications including level of responsibility and accountability within the department, complexity of programs, knowledge required, etc.
- Comparison of the employee in the position to other individuals in similar positions including professional background, length of state service, depth of critical skills and knowledge, training and education, etc.
- Comparison to other similar positions within the department in different classifications with similar job content and job qualifications including complexity, level of responsibility, scope and impact of programs/systems/projects and knowledge required.

### Retention Criteria:

- Appropriate comparison of the position to other positions within the department with similar job content and job qualifications including level of responsibility and accountability within the organization, complexity of programs, depth of technical knowledge required, etc.
- Employee is being sought after by other agencies or private sector employers due to superior skill. Employee may also have a job offer pending.
- Labor market documentation where available and referenced as appropriate.

## Amounts and Limitations

DMC may be granted as a base building increase, a lump sum payment or in combination. Employees in broad-banded classifications are eligible to receive DMC in base building or lump sum payments. Classified employees not in broad-banded classifications are only eligible for DMC lump sum payments.

DMC may be granted to classified employees in any amount up to four (4) within range pay steps, subject to the maximum of the pay range. For the purpose of applying the four (4) within range pay step limitation, a lump sum payment shall be converted to a base pay equivalent by dividing the lump sum by 2088.

An eligible employee may receive more than one DMC during the fiscal year. However, the total amount granted in the form of DMC in the fiscal year may not exceed an amount equal to four (4) within range pay steps. This limitation applies to any DMC received during the fiscal year from any state agency.

Except in rare circumstances approved by the Secretary's Office, an eligible employee may not receive a DMC during a fiscal year where the employee has already received a pay increase through pay upon appointment.

Employees in Unclassified Positions Not Serving a Fixed Term may be granted DMC in any amount up to two (2) within range pay steps for merit only. Additional details on this limitation are provided in the Compensation Plan.

## Process

The following department process will be used for reviewing and granting DMC for exceptional performance/merit. Eligible employees must have received a satisfactory performance evaluation within the last 12 months and goals/expectations set for the next evaluation period. It is recommended to grant lump sum payments for DMC related to exceptional performance/merit. However, base building increases may also be granted. While the process below is designed to occur annually, divisions may submit DMC nominations for exceptional performance/merit at any time during a fiscal year if a significant need arises.

1. In April of each year, the Bureau of Human Resource Services (BHRS) will provide divisions with data on employee compensation and relevant comparisons. BHRS will also provide maximum DMC amounts for eligible employees.
2. In April/May of each year, management in the divisions will review their available budget and completed employee performance evaluations. The Office of Policy, Budget and Finance will serve as a resource for divisions as available budget for DMC is reviewed.
3. Division management will identify eligible employees with exceptional performance/merit.
4. Division management will work with BHRS to complete the applicable WisDOT Discretionary Merit Compensation (DMC) Nomination form and identify the amount of base building or lump sum DMC. BHRS will ensure DMC criteria are met and limitations are followed.
5. Divisions will brief the Secretary's Office on the DMC requests being submitted for consideration.
6. BHRS will provide the Secretary's Office the completed DMC nominations with recommendations when necessary.

7. The Secretary's Office will review and act on DMC nominations.
8. BHRS will forward the approved DMC nominations to the Office of State Employment Relations (OSER) for final approval.
9. BHRS will notify the Secretary's Office and division management on final DMC approval from OSER.
10. Under this process, DMC granted for exceptional performance/merit will be effective no later than the first pay period in June of each year. A DMC will be effective the first pay period following signed approval by the Secretary's Office.

The following department process will be used for reviewing and granting DMC for pay equity and retention. Typically, DMC for pay equity and retention will be granted as base building increases, but lump sum payments are allowed. While the process below is designed to occur quarterly, divisions may need to use the process to address equity or retention issues at any time during a fiscal year.

1. BHRS will provide divisions data at the beginning of each quarter of the fiscal year. Data will include employee compensation and relevant comparisons, internal and external to the department. BHRS will also provide maximum DMC amounts for eligible employees.
2. Divisions will review their available budget for DMC. The Office of Policy, Budget and Finance (OPBF) will serve as a resource for divisions to review/analyze available budget for DMC.
3. Division management will identify employees experiencing significant pay inequities and those with concerns for retention.
4. Division management will work with BHRS to complete the applicable WisDOT Discretionary Merit Compensation (DMC) Nomination form and identify the amount of base building or lump sum DMC. BHRS will ensure DMC criteria are met and limitations are followed.
5. Divisions will brief the Secretary's Office on the DMC requests being submitted for consideration.
6. BHRS will provide the Secretary's Office with the completed DMC nominations and provide recommendations when necessary. BHRS will also provide an internal analysis of pay inequities across the department for additional consideration.
7. The Secretary's Office will review and approve DMC nominations.
8. BHRS will forward the approved DMC nominations to the Office of State Employment Relations (OSER) for final approval.
9. BHRS will notify the Secretary's Office and division management on final DMC approval from OSER.
10. Under this process, DMC granted for pay equity or retention will be effective the first pay period following signed approval by the Secretary's Office.

End.

## JUSTIFICATION FOR DISCRETIONARY MERIT COMPENSATION (DMC) AWARD

AGENCY:	EMPLOYEE NAME:	CLASSIFICATION/TITLE:	PAY SCHEDULE & RANGE:
<b>CRITERIA</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><b>Merit-related criteria/factors which may be considered include:</b></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><b>JUSTIFICATION</b></p> <p>Provide justification on page 2 of this document.</p>	<p><b>INCREASE AMT.</b> Hourly or Lump Sum</p>
		<p><b>JUSTIFICATION</b></p> <p>Provide justification on page 2 of this document.</p>	<p><b>NUMBER OF WRPS OR EQUIVALENT</b></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> PUA in last 12 months: <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>Date:</b>
<b>AGENCY HEAD APPROVAL (signature):</b>			
_____ APPROVED: Base Pay Adjustment:		_____ DENIED Lump Sum:	
<b>OSER APPROVAL:</b>			
_____ APPROVED: Base Pay Adjustment:		_____ DENIED Lump Sum:	
<b>AGENCY CONTACT NAME:</b>			<b>CONTACT PHONE NO.:</b>

<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"/>	<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.

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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).**