



## ADMINISTRATIVE POLICIES AND PROCEDURES

Issue Date:  
January 16, 2004  
January 10, 2012 (R)

### Discretionary Merit Compensation Program

No: HR-305

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#### I. BACKGROUND

The Discretionary Merit Compensation (DMC) Program allows the Department Secretary the discretion to provide employees economic recognition for merit and to address pay equity or retention needs. The program is administered in accordance with the provisions of Section J of the *Compensation Plan* and Chapter 550 of the *Wisconsin Human Resources Handbook*. DMC adjustments may be granted as a base pay increase, a lump sum payment, or a combination of both. However, for certain positions, the DMC is limited to only base pay increases and, for others, DMC is limited to only lump sum payments. A DMC award may be granted at any time during the fiscal year.

#### II. EMPLOYEE ELIGIBILITY

All permanent (classified and unclassified) and project employees in the department covered by Section J are eligible to receive a DMC award except the following:

- A. Employees whose job performance in the previous fiscal year was rated as below satisfactory;
- B. Supervisors who did not complete formal performance evaluations on all subordinate employees for whom performance evaluations are required within the past 12 months;
- C. Crafts Worker and Crafts Worker-related employees (project crafts workers, crafts worker supervisors, and shop supervisors);
- D. Trainees eligible for scheduled trainee increases;
- E. Any employee paid at or above the applicable pay range maximum may not receive base-building DMC.

#### III. CRITERIA AND CONSIDERATIONS

DMC awards may be granted for one or more of the following reasons:

1. Performance/Merit Criteria:

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 which **may** be considered include:



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- 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
- Employee has acquired additional competencies, which are both specialized and critical in carrying out the permanent functions of the position.

Examples of superior or meritorious performance include:

1. Sustained high level of performance with the expectation of continuation.
2. Recognition by co-workers, customers or the public for an extraordinary accomplishment.
3. Leadership in cross-functional efforts to accomplish a specific assignment related to the strategic goals of the department.
4. Successful completion of an acting assignment, a temporary assignment or a project which was significantly more complex, more responsible or of a greater scope than normal responsibilities.
5. Exercise of outstanding leadership skills and initiative.
6. Recognition of the employee as a technical expert whose advice is regularly sought and upon which reliance is placed.
7. Outstanding work performance and work products which have had a significant impact on the program goals of the department.
8. Performance of special assignments or projects on an ongoing basis with minimal review and/or highly satisfactory results.
9. Creative resolution to complex or sensitive problems affecting the work unit or the department.
10. Significantly reduced costs for product delivery.
11. Responsibility for new or significantly changed technology implementation.
12. Implementation of processes for new services.
13. Increased and/or more visible risk factor(s) or an increased impact on the work unit, bureau, division or department.
14. Application of expanded technical skills gained through additional training or experience.
15. Demonstrated competencies in specific skills that are of value to an organization to meet a critical need beyond that normally expected for the position.
16. Recommendation and/or implementation of ideas that resulted in better customer service, partnerships, teamwork, communication or use of technology or other beneficial outcomes for the agency.
17. Demonstrated increased and significant competencies directly related to the permanent assignment.



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2. Pay Equity Criteria:

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.

3. Retention Criteria:

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.

#### IV. AWARD AMOUNTS AND LIMITATIONS

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

DMC may be granted to classified employees in any amount up to four (4) within range pay steps (WRPS), 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 2,088.

An eligible employee may receive more than one DMC award 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.

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 including the identification of positions which are not eligible to receive a lump sum payment.

Except in rare circumstances which require additional justification, an eligible employee may not receive DMC during a fiscal year where the employee has already received a pay increase through pay upon appointment (PUA).

Base building awards are not subject to the 10% per year total cumulative adjustment an employee can receive as provided in s. 230.12(5)(d), Wis. Stats.



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Under exceptional circumstances, the Secretary may submit a request to the Director of the Office of State Employment Relations (OSER), to exceed the WRPS limitations specified above. This request must be accompanied by a comprehensive written justification.

#### V. FUNDING

All awards are funded from the Department's salary line. The salary line cannot be supplemented to cover costs of these awards. Thus, the use of DMC may be limited by the Department's financial condition. When it is in the best interest of the Department and the Department is capable of absorbing the cost out of the salary line without reducing service or program levels, DMC may be appropriate.

#### VI. DMC ADMINISTRATION AND APPROVAL PROCESS

Supervisors may recommend DMC for employees within their unit at any time during the fiscal year. Any recommendation submitted must be in writing and include: a detailed justification that specifically describes the reason(s) for granting the award (merit, pay equity, or retention), the type of award recommended (base building or lump sum) and the proposed amount of the award. The Division Administrator or Office Director must support and recommend the award. The request must be forwarded electronically to the Director of the Bureau of Administrative Services (Central Office Human Resources) for processing using the designated department mailbox: HR Review – Madison.

Note: At his or her discretion, the Secretary may establish a fixed schedule for the submittal and review of DMC requests within a given fiscal year.

The Human Resources Office will review each DMC request to ensure that the individual is eligible for the recommended award in accordance with the provisions of Section J of the Compensation Plan and Chapter 550 of the Wisconsin Human Resources Handbook. The Director of the Office of Policy, Planning and Budget (OPPB) will be contacted to ensure that sufficient funds are available.

The Human Resources Manager will complete the *Justification for Discretionary Merit Compensation (DMC) Award* form (OSER-DCLR-220) and forward the recommendation to the Office of the Secretary for final review and approval. If the request is approved, the Human Resources Manager will submit the request and any other required materials including the excel DMC report form(OSER-DCLR-221) to OSER at the designated mailbox OSER DCLR DMC as **all DMC must be approved by OSER prior to being granted.**



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Upon OSER approval, the Human Resources Manager will notify payroll to process the award, send a letter of notification to the employee (with a copy to the supervisor/manager and OPPB Director), place a copy of the notification letter in the employee's personnel file, and maintain copies of all approved requests. If the request is denied by the Secretary or OSER, the Division Administrator will be notified of the denial.

#### **VII. EFFECTIVE DATE**

The effective date of a base building adjustment is the beginning of the first pay period following effective receipt of the recommendation. "Effective receipt" is defined as the date on which a recommendation is received by the Bureau of Administrative Services. The effective date of a lump sum payment is the date the payment is made after OSER approval. No DMC may be retroactive.

#### **VIII. REPORTING REQUIREMENTS**

The Bureau of Administrative Services will retain a copy of all records pertaining to DMC (whether approved or denied by OSER) for a period of three years (one biennium plus one year) and furnish materials upon OSER's request. DMC records to be retained include all DMC nominations, DMC approvals and denials, and DMC-related documents sent to and received from OSER.

#### **IX. MISCELLANEOUS**

The granting, denial, amount, and type of DMC are not grievable.

At the annual performance review, an employee may discuss with the supervisor the employee's opportunity for a DMC award. Employees may self-nominate to their supervisor no more than once per fiscal year.

# JUSTIFICATION FOR DISCRETIONARY MERIT COMPENSATION (DMC) AWARD

| AGENCY:  | EMPLOYEE NAME: | CLASSIFICATION TITLE:  | PAY SCHEDULE & RANGE:                       |
|--|----------------|--|---|
| <b>CRITERIA</b>  |                | <b>JUSTIFICATION</b>   | <b>INCREASE AMT.<br/>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><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>Provide justification on page 2 of this document.</p>                       | <p>NUMBER OF WRPS OR EQUIVALENT</p>         |
| <p><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></p>   |                | <p><b>DMC RECOMMENDATION</b></p>   |   |
| <p><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></p>   |                | <p>_____ <b>APPROVED:</b>      <b>DATE:</b><br/>Base Pay Adjustment: _____</p> |   |
| <p>_____ <b>APPROVED:</b>      <b>DATE:</b><br/>Base Pay Adjustment: _____</p>   |                | <p>_____ <b>APPROVED:</b>      <b>DATE:</b><br/>Lump Sum: _____</p>            |   |
| <p><b>AGENCY CONTACT NAME:</b> _____</p>   |                | <p><b>CONTACT PHONE NO.:</b> _____</p>   |   |

**JUSTIFICATION:**

|  |  |
|--|--|
| <b>CRITERIA (Check all that apply):</b>  |  |
| <input type="checkbox"/> Merit   | 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  | Employee is a supervisor and has completed required performance evaluations for all subordinates |
| <input type="checkbox"/> Retention   | 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.

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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 [OSERDCLRDCLRDMCRequests@wisconsin.gov](mailto:OSERDCLRDCLRDMCRequests@wisconsin.gov).**



# Discretionary Merit Compensation

**Policy Section:** 416  
**Subject:** Discretionary Merit Compensation  
**Last Updated:** January 23, 2013  
**Contact:** [Lynda Hanold](#) - (608) 266-6496  
**ASD Bureau:** Human Resource Services

## Applicability

This policy applies to all employees of the Department of Workforce Development including Unclassified, Project and Limited Term Employees.

## Policy

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.

## Eligibility

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

- Employees whose job performance in the previous 12 months 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.

## 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.

## Merit

Merit shall be defined as sustained exemplary performance, unusually difficult or sensitive work that results in a significant contribution to meeting the mission of the Department, or outstanding performance on a special project or major assignment. Please see the [OSER DMC Justification Form](#) for more information.

## Pay Equity

### Links on this Page

- :: [Policy](#)
- :: [Eligibility](#)
- :: [DMC Concept](#)
- :: [Authorization of Department's Policy and Procedures](#)
- :: [Consideration Time Period](#)
- :: [Recommendation for DMC Awards](#)
- :: [Effective date](#)
- :: [Criteria, Type, Amount, and Frequency](#)
- :: [Review by Department Budget Office](#)
- :: [Communication of DMC Policy and Administrative Procedures](#)
- :: [Administrative Procedures](#)

### References

- :: [2011-2013 Compensation Section J](#)
- :: [DMC Justification Form](#)

## Discretionary Merit Compensation

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.

### Retention

Retention shall be defined as a situation where the employer is aware the employee is actively seeking other employment, or the employee actually has a job offer in hand, and the resultant loss of the employee's knowledge and experience would be a detriment to the agency.

The Department'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 Department's appointing authority will receive authorization to recommend DMC awards. Consideration must be applied in a uniform manner throughout the Department or employing unit. DCLR must review and approve each recommendation from the Department prior to granting the DMC award.

### Consideration Time Period

The Department will consider a limited number of DMC recommendations at times and on a schedule as determined by the Secretary. The DMC schedule will generally be shortly before the end of the fiscal year but may be more often as the Secretary determines. Division Administrators will be informed of when DMC recommendations will be considered. A notice will also be posted on the DWD website

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

### 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.

### 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 Human Resources Manager.

### 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

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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 broadbanded schedules   | Classified permanent and project employees assigned to non-broadbanded schedules  | The following unclassified positions: Chief Legal Counsel, Communications Director, Legislative Advisor   | The following unclassified positions: Dept Secretary, Deputy Secretary, Executive Assistant, Division Administrators                |
| Criteria       | Merit Pay equity Retention   | Merit   | Merit   | Merit   |
| Type           | Base building; or Lump sum; or Combination of base building and lump sum   | Lump sum  | Base building; or Lump sum; or Combination of base building and lump sum  | 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  | Any amount up to 2 WRPS or the equivalent of 2 WRPS multiplied by 2088 for lump sum payments. Base building awards are subject to the pay range maximum | Any amount up to 2 WRPS. Base building awards are subject to the pay range maximum.   |
| 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. | An employee may receive more than one DMC during a fiscal year but the total granted may not exceed an amount equivalent to 2 WRPS.                     | An employee may receive more than one DMC during a fiscal year but the total granted may not exceed an amount equivalent to 2 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.

## Discretionary Merit Compensation

### Review by Department Budget Office

Prior to Department Secretary submitting any DMC recommendation to OSER for approval, the DWD budget office will review and ensure that sufficient funds are available to cover the recommended awards.

### Communication of DMC Policy and Administrative Procedures

After the OSER approves the DWD's DMC policy and administrative procedures, the Human Resource Services Bureau will post the policy and administrative procedures on the DWD Work Web.

### Administrative Procedures

The DWD Secretary will inform Division Administrators of the deadline to submit recommendations for DMC awards. In addition, a notice will be posted on the DWD Work Web informing DWD employees.

Division Administrators shall solicit input from Bureau Directors and supervisors. Any written self-nomination received by a supervisor shall be acknowledged in writing by email and shall be forwarded by the supervisor to the Bureau Director 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 DWD Secretary has indicated recommendations are being accepted.

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

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