



MEMORANDUM

DATE: March 16, 2012

TO: Deans and Directors

FROM: Darrell Bazzell, Vice Chancellor for Administration *Darrell Bazzell*

RE: Discretionary Merit Compensation (DMC) Implementation

The 2011-2013 Compensation Plan approved by the Legislature provides the ability to award Discretionary Merit Compensation (DMC) pay increases to classified employees. DMCs, which can be awarded for several reasons (including performance), are a welcome flexibility but must be managed carefully given our difficult fiscal environment.

Because of this challenge, we have delayed implementing the DMC policy while we carefully considered how best to implement it. Addressing a budget lapse at the same time we implement a mechanism to expand pay flexibility requires balance and careful consideration. Our goal was to ensure that thoughtful discussions occurred about how this new tool will be applied.

Therefore, during the last two months we solicited feedback and suggestions from a variety of stakeholders across campus. We then considered a series of options including delaying implementation until next fiscal year. Ultimately we decided to make the DMC available this fiscal year but ask that you limit its use by implementing the following parameters.

- Colleges, schools or divisions only award up to 10 percent of eligible classified employees with DMCs during a calendar year; and
- Deans/directors review DMC requests before they are sent to the Office of Human Resources (OHR) for approval.

The 10 percent limit I am asking you to adhere to is based on the total headcount identified in the October 2011 payroll (i.e., the "frozen slice"). You and your HR office will need to monitor the number of DMCs to ensure this percentage is not exceeded. The Office of Human Resources (OHR) will review the number of requests at the end of the calendar year to ensure this parameter is being followed.

I have attached our new DMC policy, along with the detailed procedures for granting the awards, which are effective March 19, 2012.

I am asking you to take an active role in reviewing these requests. Please keep in mind that if our DMC process is not properly managed, our other future flexibilities (e.g., new personnel structure, supplemental pay plan) could be at risk.

If you have any questions about this strategy or the new policy, please contact Mark Walters, Director of Classified Human Resources (2-3666 or mwalters@ohr.wisc.edu).

Thank you for your support and cooperation as we implement this important new compensation flexibility.

Vice Chancellor for Administration

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