UNIVERSITY OF WISCONSIN – MADISON
Discretionary Merit Compensation Policy
(Effective March 19, 2012)
REVISED July 25, 2012

BACKGROUND
The 2011-13 State of Wisconsin Compensation Plan includes a provision in which Discretionary Merit Compensation (DMC) adjustments may be awarded to all classified permanent and project employees, except for Crafts Worker and related employees. These adjustments are at the sole discretion of management. The criteria and guidelines outlined below will enable UW-Madison to use the DMC program in a consistent and equitable manner.

DISCRETIONARY MERIT COMPENSATION CRITERIA
The following criteria for awarding a DMC have been provided by the Office of State Employment Relations. Individual DMC requests should be limited to one of the three types of criteria.

Merit – Employee has sustained a high level of performance during an extended period of time. The expectation is that it will continue. Additional factors to consider include:
- Employee has new duties that have been newly assigned or were an evolution of the originally assigned functions. The duties are permanent, and are of a greater scope, impact, and/or complexity compared to the previous functions. An updated position description should be completed to reflect the new duties.
  The new position description should be reviewed by the Divisional HR Office to determine if the position should be reclassified or reallocated. If reclassification/reallocation is appropriate, this should be done prior to a DMC.
- Employee demonstrates increased and significant competencies which are directly related to the permanent assignment.

Pay Equity - Employee’s salary has been determined to be lower than that of other 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. Specific equity data must be provided with the justification.

Retention: The employer is aware that 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 UW System, therefore, requiring a pay adjustment be made in order to retain the employee. Market data should be provided to illustrate this fact.

In order to receive a DMC for Merit, the employee must have had a performance evaluation conducted within the past 12 months. If the employee is supervisory, performance evaluations

Office of Human Resources
University of Wisconsin-Madison . 21 N. Park Street, Suite 5101 . Madison, Wisconsin 53715-1218
must have been completed for all subordinate employees within the past 12 months if a DMC is being granted for Merit, Pay Equity or Retention.

ELIGIBILITY FOR DISCRETIONARY MERIT COMPENSATION
All classified permanent and project employees are eligible to be considered for DMC except the following employees, who are considered ineligible to receive DMC:

- Employees in Crafts Worker and related positions.
- Employees in supervisory positions who have not completed formal performance evaluations on all subordinate employees within the past 12 months.
- Any employee whose job performance has been rated below satisfactory in the previous fiscal year.

Additional factors to consider when determining whether or not a DMC is appropriate include, but are not limited to, the following:

- Whether an employee is on probation.
- Whether it is more appropriate to reclassify or reallocate the employee’s position.
- Whether previous DMCs were given for similar reasons.

AMOUNT/FREQUENCY
Employees may receive a maximum of four within-range-pay steps in any given fiscal year, subject to the maximum of the pay range. Classified permanent and project positions that are in broadbanded pay ranges may be granted an adjustment in the form of a base pay adjustment, a lump sum adjustment or a combination of both. Classified permanent and project position in non-broadbanded pay ranges may only receive merit-related lump sum payments.

Note on broadbanded employees: DMCs requests with an effective date that falls within 12 months of the most recent pay upon appointment will only be approved under exceptional circumstances.

EFFECTIVE RECEIPT
A DMC may be granted at any time during the calendar year. The effective date of a base building adjustment is the beginning of the pay period following effective receipt of the recommendation. The effective date of a lump sum adjustment will be the date the payment is made after OSER approval. No DMC may be retroactive.

Effective receipt shall be considered the date the complete request is received by Classified Human Resources. A complete request must include a justification that meets the DMC criteria above. In some instances, Classified Human Resources may delegate effective receipt to the Divisional Human Resources offices.

APPROVAL PROCESS
All DMC requests must include a complete justification that meets the criteria identified above. DMC requests can be initiated by supervisors and divisional representatives or eligible employees can self-
nominate. Eligible employees who self-nominate themselves for a DMC may only do so once every fiscal year. The fiscal year restriction does not apply to supervisors and Division representatives.

The approval process for all UW-Madison DMC requests must be started by utilizing the online Discretionary Merit Compensation Administrator located at http://apps.ohr.wisc.edu/dmc

In order for a DMC to be granted, the request must be approved by the following process:

1. **Division:** Each Division is responsible for forming its own DMC Review Committee. This committee is responsible for ensuring consistent application of the DMC Criteria within their Division. Divisions will submit the names of the committee members to Classified Human Resources.

   The DMC Review Committee will review all DMC recommendations and provide input to the Dean/Director. The Dean/Director will review all requests for final Division approval.

2. **UW-Madison:** Classified Human Resources is responsible for reviewing the DMC requests approved at the Divisional level for completeness. The request is then forwarded to the Chancellor or the Chancellor’s designee (e.g., Office of Human Resources) for approval or denial.

3. **University of Wisconsin System Administration/Office of State Employment Relations (OSER):** Once approved by the Chancellor or the Chancellor’s designee, the request will be submitted to OSER for their approval with a copy sent to UW System Administration. OSER is the final approver of all DMC requests.

July 2012
# JUSTIFICATION FOR DISCRETIONARY MERIT COMPENSATION (DMC) AWARD

**NOTE:** This form is for reference purposes only. All UW-Madison DMC Requests must be submitted using the online DMC Administrator. Please contact your HR Representative regarding the electronic DMC process.

<table>
<thead>
<tr>
<th>AGENCY:</th>
<th>EMPLOYEE NAME:</th>
<th>CLASSIFICATION TITLE:</th>
<th>PAY SCHEDULE &amp; RANGE:</th>
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<tbody>
<tr>
<td>UW-Madison</td>
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### CRITERIA

**Merit:** Employee recognition for 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 which 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 the previous functions; or
- Employee has acquired additional competencies, which are both specialized and critical in carrying out the permanent functions of the position.

### JUSTIFICATION

(Provide specific and details)

Provide justification on page 2 of this document.

### INCREASE AMT.

Hourly or Lump Sum

### NUMBER OF WRPS OR EQUIVALENT

Merit–related criteria/factors which may be considered include:

Pay Equity: 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

Provide justification on page 2 of this document.

Retention: The employer is aware that 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, therefore, requiring a pay adjustment be made in order to retain the employee.

Provide justification on page 2 of this document.

### DMC RECOMMENDATION

<table>
<thead>
<tr>
<th>Old Base Salary</th>
<th>New Base Salary</th>
<th>Funding Source(s):</th>
<th>DMC Effective Date:</th>
<th># Prior WRPS in Same FY:</th>
<th>PUA in last 12 months:</th>
<th>Recommended By Supervisor:</th>
<th>Division/Director Approval:</th>
<th>Human Resources Director Approval:</th>
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**Recommended By Supervisor:**

Date:

**Division/Director Approval:**

Date:

**Human Resources Director Approval:**

Date:

### CHANCELLOR APPROVAL:

- ☐ APPROVED: ____________________
- ☐ DENIED: ____________________

Date:

### OSER APPROVAL:

- ☐ APPROVED: ____________________
- ☐ DENIED: ____________________

Date:

- ☐ APPROVED: ____________________
- ☐ DENIED: ____________________

Date:

**UW INSTITUTION HR CONTACT NAME:**

**CONTACT PHONE NO:**

OSER-DCLR-220 (rev. 03/2012)
**JUSTIFICATION:**

<table>
<thead>
<tr>
<th>CRITERIA (Check all that apply):</th>
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<tr>
<td>____ Merit</td>
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<tr>
<td>____ Employee received performance evaluation within last 12 months</td>
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<tr>
<td>____ Employee is a supervisor and has completed required performance evaluations for all subordinates</td>
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<tr>
<td>____ Pay Equity</td>
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<tr>
<td>____ Employee is a supervisor and has completed required performance evaluations for all subordinates</td>
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<tr>
<td>____ Retention</td>
</tr>
<tr>
<td>____ Employee is a supervisor and has completed required performance evaluations for all subordinates</td>
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**JUSTIFICATION NARRATIVE (Provide specifics and supporting documentation below):**
DISCRETIONARY MERIT COMPENSATION (DMC) INSTRUCTIONS

EMPLOYEE INFORMATION

Agency:
Enter UW-Madison

Employee Name:
Insert full name of employee

Classification Title:
Insert complete classified title of employee

Pay Schedule & Range:
Insert pay schedule and range for classification title

DMC JUSTIFICATION

Identify one of the three categories below to justify the DMC. Provide specifics and details within the “Justification” section as to how the employee meets the specified criteria.

Merit/Performance

Eligibility:

Required: In order to receive a DMC in this category, the employee must have had a formal performance evaluation conducted within the past 12 months of the effective date.

If the employee is in a supervisory title, the employee must have completed performance evaluations for all subordinates within the past 12 months.

Classified permanent and project employees in broadband positions may be granted a base pay adjustment, a lump sum adjustment or a combination of both.

Classified permanent and project employees in positions allocated to classifications assigned to non-broadband positions, excluding all Crafts Worker and related employees, may receive merit-related lump sum DMCs only.

Definition:

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

*Note: Definition provided is official OSER definition
**Pay Equity**

**Eligibility:**

Classified permanent and project employees in broadband positions ONLY

**Definition:**

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.

Specific equity data needs to be provided with the justification.

*Note: Definition provided is official OSER definition*

**Retention**

**Eligibility:**

Classified permanent and project employees in broadband positions ONLY

**Definition:**

The employer is aware that 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, therefore, requiring a pay adjustment be made in order to retain the employee.

Market data should be provided with the justification.

*Note: Definition provided is official OSER definition*

**Increase Amt (Hourly or Lump Sum):**

Insert the amount you wish to provide to the employee. For classified permanent and project employees in broadband positions, this amount can be a “lump sum” payment and/or “base-building” adjustment. For classified permanent and project employees in positions allocated to classifications assigned to non-broadband positions, excluding all Crafts Worker and related employees, this amount can only be a merit-related lump sum payment.

Base-building adjustments are increases to the employees’ permanent rate of pay while lump sum payments are one-time payments. Rationale for a lump sum payment may be for a temporary assignment that is not part of the employees’ normal job and will typically go away in the near future. Lump-sum payments may also be used because an organization is not able to continue the increased funding (base adjustment) in the next fiscal year.

Base-builder adjustments are an hourly figure for any amount up to four steps within the appropriate pay band. Lump-sum payments are a dollar figure up to the equivalent of four steps within the appropriate pay band (e.g., $500 payment divided by standard of 2088 hours would equal $0.240 an hour). To determine step sizes within a pay band go to the compensation plan.

**# of WRPS or Equivalent:**

(Note: WRPS stands for Within Range Pay Steps)

Calculate number of steps granted with this request. Lump-sum payments should be converted to an hourly rate (divide by 2088). To determine step sizes within a pay band go to the compensation plan. Adjustments/payments do not need to be made in whole step increments.
DMC RECOMMENDATION

Old Base Salary: Insert the employee’s current rate of pay.

New Base Salary: Calculate and insert the new hourly rate by adding together the old base rate (current) and amount recommended as a base-builder. Leave this blank if providing a lump sum payment.

Funding Source: Enter the name of the funding source that will be used to fund the DMC (i.e. GPR, PRF, SEG, etc.)

DMC Effective Date: Effective date for base-building adjustments will be the first day of the pay period following effective receipt of the DMC recommendation. Effective receipt shall be considered the date the request is received by Classified Human Resources unless Classified Human Resources has delegated effective receipt to the Divisional Human Resources office. The effective date of a lump sum adjustment will be the date the payment is made after OSER approval. DMCs cannot be retroactive.

# Prior WRPS in Same FY: Calculate number of steps granted, not including this request, for the current fiscal year. Go to the above information to determine step sizes.

PUA in last 12 months (Broadbanded employees only): Indicate if employee has received a new position within the past twelve months, even if pay rate did not change. If so, include effective date.

SIGNATURES

Signatures: Supervisor will sign in the designated box, print name below signature, and date the request. Submit request based on your DMC submittal/approval process for your college/division/school (consult with your HR Representative). College/School/Division Internal Review Committee will review request and forward to Dean/Director, if approved. Dean/Director submits to Classified Human Resources.

Approval Process: For all DMC requests, Classified Human Resources is responsible for reviewing the DMC requests approved at the Divisional level for completeness. The request is then forwarded to the Chancellor or the Chancellor’s designee (e.g., Office of Human Resources) for final UW-Madison approval or denial. All requests are then sent to the Office of State Employment Relations for final approval with a copy to UW System Administration. Per Section J (2)(1) of the 2011-13 Compensation Plan, “Neither the granting, denial, nor amount of any DMC is grievable.”

UW Institution Contact Name and Phone number: Contact name and phone number will be filled in with Classified Human Resources DMC contact.

If you have questions about DMCs and the internal process for your college or school, contact your employing unit HR representative.

July 2012