

## **Number 7.1 - EMPLOYEE RECOGNITION AND MERIT BONUS AWARDS**

**Effective Date:** December 15, 1995

**Revised Date:** September 18, 2001

**Applicable To:** All Classified employees and Exempt employees who are not covered by Policy 7.2 or included in an approved Exempt Pay Plan, and who are employed by the Executive Branch of the State of Vermont.

**Issued By:** Department of Personnel

**Approved By:** Kathleen C. Hoyt, Secretary of Administration

### **PURPOSE AND POLICY STATEMENT:**

While it is appropriate to compensate all employees in a fair and consistent manner, the State recognizes that some employees perform at a higher than satisfactory level by either doing significantly more than what is normally expected of the position, by working on special projects of major importance in addition to assigned duties and responsibilities, or by performing their regular duties at a level that far exceeds expectations. The use of merit and bonus awards is a positive way to inspire excellence in performance and an appropriate way to reward those employees who contribute beyond expectations.

The State of Vermont encourages the establishment and active use of employee recognition programs to recognize and celebrate excellence in State government by outstanding individuals and groups with the goal of not only increasing the effectiveness of State government, but also of enhancing the career satisfaction and growth of committed state employees.

### **GENERAL GUIDELINES:**

Agencies/departments are encouraged to be creative in developing employee recognition programs. Merit policy design is left to the discretion of the agency/department, within the general guidelines of the State of Vermont Statutes, this policy, and the Outstanding Performance Article of the VSEA contract. Agency/departmental heads are accountable for insuring that their merit programs are implemented and maintained in compliance with the original intent of the program as outlined in the Purpose and Policy statement above. ***New agency policies and revisions to existing policies must be approved and on file with the Department of Personnel.***

Merit awards generally fall into three (3) categories: step increases; non-recurring bonuses; and other forms of recognition (such as days off, letters of commendation,

plaques, etc.) which may be more appropriate in certain circumstances or for some employees.

Individual award programs should not be construed as establishing automatic or mandatory increases for attainment of certain ratings on performance evaluations.

All employee recognition and monetary award programs should address the following:

- The role of an agency / department merit award committee. How an agency/department utilizes a merit award committee structure is left to their discretion, subject to the guidelines of this policy and the VSEA contract.
- Specific criteria for which an employee may be nominated.
- Procedure for nomination for award. (who may nominate, what forms to use, how to initiate a nomination).
- Guidelines for merit increases. (types of awards, amount, performance criteria).
- Guidelines/timelines for policy review and revision.
- Documentation and reporting procedures/requirements.
- A description of how the program guidelines will be communicated to the agency/departmental employees.

### **MAJOR TYPES OF AWARDS:**

**NON-RECURRING BONUS** – These are lump sum or cash-equivalent awards granted on a one-time basis that do not alter the current hourly rates of employees. The use of bonuses is appropriate for special recognition of exceptional performance on a special project or other short-term (i.e. less than 12 months) activity of major importance to the department. The agency/departmental policy should include specific performance and documentation requirements that must be met for approval of a non-recurring bonus. Non-recurring bonuses cannot exceed 8% of the annualized base salary of the employee. (\*\* see note below).

**MERIT STEP INCREASE** – These increases are permanent adjustments to salary that advance the step level of the employee by one or two steps. Step increases may be appropriate when faster than normal salary advancement is warranted due to sustained, long-term (i.e. 12 months or more) performance that significantly exceeds all standards. The agency/ departmental policy should include specific performance and documentation requirements that must be met for approval of a one or a two-step increase. Step increases may not in any case exceed two steps. (\*\* see note below).

**NOTE:** \*\* The granting of any award for Outstanding Performance is subject to compliance with the Outstanding Performance Article of the Agreements between the State of Vermont and Vermont State Employees Association, Inc (VSEA). No individual employee may receive more than one “small” bonus (up to and including \$1,000) and one “large” merit bonus (over \$1,000 or a step increase) in a single year without the prior approval of the Commissioner of Personnel.

## **MERITORIOUS AWARD COMMITTEES:**

The Outstanding Performance Article of the current Agreements between the State of Vermont and the VSEA provides that **“Each department/agency which does not have a functioning performance review process, shall form a performance policy committee including not more than three agency employee members selected by the VSEA. The committee may give input on the agency’s outstanding performance policy criteria. Not more than three agency employees selected by the VSEA may give similar input to department/agency panels which exist on the effective date of this Agreement”**. Committees comprised of labor and management representatives may be utilized to give input on the agency performance policy criteria and/or they may actually take an active role in examining and recommending individual merit awards. Each agency’s policy should clearly outline the role of their committee. Committees comprised of both labor and management representatives are generally more accepted than committees consisting only of management representatives.

The merit award committee shall meet as defined in the agency merit policy. If the committee is responsible for reviewing nominees, specific criteria should be established which will serve as a guide in the committee’s evaluation of nominations. (see below).

## **SUPPORTING DOCUMENTATION:**

The agency/departmental policy must clearly define what type of documentation is required as support for the various types of awards being granted. The following documents are recommended as supporting documentation:

- A copy of the performance evaluation for the period of time being recognized by the award;
- Comments and recommendations from the employee’s supervisor, manager, appointing authority, and /or, as applicable, the department merit award committee;
- Any other material or information that supports the award being recommended.

## **SUBMITTING FOR PAYMENT / GRANTING OF AWARD:**

The Agency Personnel Officer/Administrator or their designee should submit a fully completed Personnel Action Form outlining the type/amount of the approved award to the Department of Personnel so that the employee may receive their merit bonus as quickly as possible.

## **EFFECTIVE DATE OF AWARD:**

The effective date for merit step increases will be the first day of the new payroll period following receipt of a completed Personnel Action Form by the Department of Personnel from the agency granting the award.

## **DELEGATION OF AUTHORITY FOR AWARDS:**

To insure more timely and efficient processing of merit awards, the Commissioner of Personnel has delegated to agency secretaries and department heads, final authority to approve merit awards as outlined in their written and approved agency policy. However, to retain a high degree of consistency and equity among agencies and departments, the following conditions must be adhered to in awarding such bonuses and increases:

1. All requests should be submitted in a timely manner and for the period of time immediately preceding the date of the award.
2. The agency/department must have a written formal procedure that specifies the criteria upon which these awards are based.
3. The agency/department head and/or any other person designated in the agency's policy shall note the decision of the person or group reviewing the nomination on the nomination document.
4. All agency/departmental merit award procedures/policies must conform to Vermont Statute, this policy, and to the current Agreements between the State of Vermont and the VSEA.
5. Awards may only be given for job-related performance. Activities such as quitting smoking, losing weight, physical fitness, etc., are not considered job related for purposes of this policy. However, in order to encourage high levels of professional development, merit awards may be given to employees for educational or professional development, when as a result of that achievement, the employee's demonstrated job performance is measurably improved. For example, a non-recurring bonus may be appropriate for an employee when performance has been enhanced in his or her job as a result of publishing an article in a professional journal, or when an employee has received a degree, which has enhanced his or her job performance.
6. A complete copy of all documentation relating to any award must be filed, once approved, in the employee's official personnel file.
7. The delegation of authority for awards may not be further delegated below the Department Head level unless the guidelines for such have been detailed and approved within the approved agency/departmental policy.
8. Each agency/department will submit a report to the Department of Personnel in July of each year, outlining the merit award activity for the preceding fiscal year. This report will include the names of all employees nominated for merit awards, the nominee's position number, the name of the nominator, the type and amount of requested award, a brief description of the reason for the nomination, and whether the award was approved, denied, or modified. This report should be provided to the Department of Personnel on standardized form #M-001, "Merit Bonus Log/Report" which is available on the State of Vermont website: [www.state.vt.us/library/vlibrary.htm](http://www.state.vt.us/library/vlibrary.htm) The form may be downloaded as an electronic copy or may be printed and submitted in hard copy format. It is recommended that agencies/departments keep this as an ongoing log of their yearly activity to streamline the process.

9. The Commissioner of Personnel may, at his or her discretion, request a review of the merit policy documents of any agency or department to audit compliance with this policy and/or the agency/departmental policy. It shall be the responsibility of the agency/department to keep clear and complete documentation of adherence to both this policy and their internal merit program and to produce these records and documents upon request of the Commissioner of Personnel.
10. The Department of Personnel must be provided with a current copy of the agency/department policy on this subject by which all merit bonuses granted by an agency or department may be randomly reviewed/audited for conformity to the above. It shall be the responsibility of the agency/department to provide the Department of Personnel with an updated copy in a timely manner upon revision of their policy.

Signed by Kathleen C. Hoyt, September 18, 2001

Approved, Secretary of Administration