Goal-Based Incentive Guidelines

Related Rule/Statute: R2-5A-403. E. Variable Pay

Issued: December 20, 2012

Effective: December 20, 2012

Applicability: Uncovered employees, Correctional Officers 1-3, Community Correctional Officers

Description
In accordance with these guidelines, an agency head may provide an incentive payment to employees, teams, work units, and/or divisions who achieve established challenging performance targets or goals.

Eligibility
- Employees who have been involuntarily demoted or suspended during the most recent performance rating period are not eligible for a Goal-Based Incentive.
- Employees must have received a "Meets Expectations" rating or better on each rating factor on their most recent performance review using MAP (the State Personnel System evaluation tool) to be eligible for a Goal-Based Incentive.
- Elected officials, agency heads appointed for a fixed term of office, interns, pool, or per diem employees are not eligible for a Goal-Based Incentive.

Requirements
- Goal-Based Incentives are subject to available funding and must be within the agency's appropriation.
- Agencies intending to implement a Goal-Based Incentive Program must submit a plan for ADOA approval prior to implementation.
- An agency head shall report to the Director of ADOA on the utilization of all variable pay strategies utilized in the previous fiscal year, no later than September 1st of each year.
- Incentive will be included in calculation of overtime rate; may require agency payroll to recalculate overtime earned during evaluation period.
- When goals are achieved and incentive pay is provided, new target goals shall be established.

Administration
The maximum amount of the Goal-Based Incentive shall not exceed the maximum increase provided for in the “Merit Increase Guidelines” currently in effect, and shall not exceed $3,000 per employee. This amount shall be calculated as a percentage of the employee’s base salary and may be paid in any increment (bi-weekly, quarterly, bi-annually, etc.) according to an approved agency plan. An agency head may choose to implement lesser amounts than indicated, as provided in the agency’s plan.
Plan Components

Agencies planning to implement a Goal-Based Incentive plan for ADOA approval shall address the following components:

- **Eligibility**: The agency shall identify any categories of employees that may not be eligible (e.g. temporary or seasonal employees) and shall clearly identify how to address situations with employee movement (e.g. new hires, transfers, etc.)
- **Design/Structure**: The agency shall identify if the measures will be designed at an agency-wide level, or if each division or department will have different measures. Some plans also may include an individual component to their plans.
- **Performance Measures**: The actual measures chosen for the plan shall be identified in detail. Consideration should be given to selecting measures that all or most employees have an opportunity to influence or support the achievement of the goal. Measures should also be strategic in nature or important to the agency's mission. Consideration should also be given toward identifying measures that can be influenced on a timing cycle that is consistent with the overall design of the play (e.g. annual measures are not consistent with a quarterly payment schedule).
- **Targets/Goals**: The targets/goals for each performance measure shall be challenging and difficult to achieve. The plan should also identify the indicators that would denote when a reevaluation of the target/goal is in order, i.e. consistent achievement of a goal should prompt the establishment of a more challenging target.
- **Calculation of Incentive Payment**: The plan shall clearly identify how the employee's incentive payment will be calculated.
- **Timing of Evaluation/Distribution**: The plan shall clearly identify the timing of the evaluation/distribution of incentive payments. Agencies may pay incentives on any timing cycle (bi-weekly, quarterly, semi-annually, etc.)
- **Communication**: The plan shall describe how the agency intends to communicate the plan to their employees.

Review Process

Agencies shall submit a draft plan to ADOA for review no later than six months prior to the desired implementation date (i.e. plans are due January 1st if the desired implementation date is July 1st). If changes are necessary, consultation with the agency will occur. A final draft of the plan shall be submitted to ADOA no later than eight weeks prior to the desired implementation date. Approval of an agency's plan shall be for no longer than a one-year duration. The agency shall submit a plan for each year the agency intends to participate in the Goal-Based Incentive plan.
Reporting Requirements

Upon plan approval, agencies may administer their Goal-Based Incentive plan without further review by ADOA. At the end of each fiscal year, participating agencies shall submit a report to ADOA by September 1st. The report shall include:

- A brief paragraph describing how the agency is using the Goal-Based Incentive plan to support the organization’s goals or strategic direction.
- Performance measures and results shall be displayed for each performance measure. If possible, graphs and charts should be used to represent changes or time or results achieved.
- A list of the employees that received a Goal-Based Incentive and the specific amount of increase awarded.
- Key information for each employee on the list including employee name, current base salary, job description, etc.
- The organizational impact experienced as a result of the implementation of the strategy, including impact on retention of high performing employees, employee satisfaction, employee engagement, turnover, etc.