

## Guidelines for Interim Compensation Strategies

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**Issued:** December 20, 2012; revised March 12, 2013

**Effective:** December 20, 2012 – June 30, 2013

**Eligibility:** Varies by Strategy

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### Description

In the interim, before agencies have had an opportunity to fully implement the State Personnel System performance evaluation processes and evaluate employees, the following compensation strategies are available.

- **Counter Offer** (Adjustment to Base Pay – Case-by-Case Submission – No Plan Necessary)
- **Spot Incentive** (Incentive Pay Does Not Affect Base Pay)
- **Hiring Incentive** (Incentive Pay Does Not Affect Base Pay)
- **Conditional Retention Pay Supplement** (Incentive Pay Does Not Affect Base Pay)
- **Meritorious Service Leave** (Non-Monetary Strategy)

### Eligibility

- Employees who have been involuntarily demoted or suspended during the most recent twelve months are not eligible for any of the strategies listed above.
- If a performance evaluation has been completed within the past year, employees must have received a “Meets Expectations” rating or better on each competency or rating factor on their most recent performance review to be eligible for any of the strategies listed above.
- Elected officials, agency heads appointed for a fixed term of office, interns, pool, or per diem employees are not eligible for any of the strategies listed above.

### Requirements

- All of the compensation strategies listed above are subject to available funding and must be within the agency’s appropriation. Agencies shall not implement compensation strategies that create new future obligations beyond their current or future appropriation that will require additional appropriations unless agency spending reductions have freed up funds sufficient to eliminate the need for new monies to implement the strategy (near and long-term) without any degradation to customer service.
- Implementation of the strategies listed above shall be administered without regard to political affiliation, race, color, national origin, sex, age, disability or religious creed.

## **Administration**

Counter Offers are subject to ADOA approval. ADOA may approve a counter offer for an employee with a verified job offer on a case-by-case basis considering such factors as the employee's performance, internal equity ramifications, and market pay for the type of job and level of work.

Incentive payments (Spot Incentives, Hiring Incentives, and Conditional Retention Pay) may be awarded to an employee, individually or in combination, but shall not exceed 10% of an employee's annual base salary or \$5,000, whichever is lower. An agency head may choose to award lesser amounts than indicated, however, any incentive payment in excess of this amount shall require ADOA approval on a case-by-case basis.

Implementation of Spot Incentives requires the agency to submit a plan for ADOA approval prior to implementation. Spot Incentives are limited to no more than \$2,000 per employee per year.

Hiring Incentives may be provided on a case-by-case basis subject to ADOA approval, depending on the type of job and level within the organization. The payment shall not exceed \$5,000. In addition, an agency may develop a plan to provide Hiring Incentives for certain critical positions that are either hard to fill or that require a rare skill set. The plan may also limit the incentive to specific classifications, geographic locations or other criteria. The plan must include documentation of past difficulty in filling the positions identified.

Meritorious Service Leave shall be limited to no more than 24 hours of leave per individual (prorated for less than full-time employees) per fiscal year. No more than 5% of the agency's employees may receive Meritorious Service Leave per fiscal year unless an exception is granted by the ADOA Director. Leave awarded shall be used within 12 months of receipt and shall not be paid upon separation (i.e., no cash value). Leave shall not be transferred to another agency if the employee moves to another agency.

## **Interim Compensation Plan**

Agencies intending to implement any of the strategies listed above, with the exception of Counter Offers, shall submit a plan for ADOA approval prior to the implementation of any of the strategies. Upon plan approval, agencies may administer the compensation strategies in accordance with their approved plan without further review by ADOA. The plan shall address the following components:

- **Eligibility:** The agency shall identify any categories of employees that may not be eligible for each compensation strategy, in addition to the eligibility criteria described above (e.g. temporary employees, new hires with less than six months of service, etc.)
- **Employee Movement:** The plan shall clearly identify how to address situations when an employee that was awarded a conditional retention pay transfers to another position and no longer meets the original criteria for receipt of the conditional retention pay.
- **Compensation Strategies:** The plan shall identify which of the compensation strategies may be implemented during FY2013.

- **Compensation Limits and Award Criteria:** The plan shall describe the percentage or dollar value of the incentive and the criteria or conditions that must be met in order for the employee to receive the incentive. Incentives shall not exceed the limits provided in the guidelines. An agency head may choose to implement lesser amounts than indicated, as provided in the agency's plan.
- **Communication:** The plan shall describe how the agency intends to communicate the compensation strategies to their employees. The plan shall also describe how the agency will notify employees that have been awarded an incentive payment and any conditions associated with receipt of the incentive.

### **Review Process**

Agencies shall submit a draft plan to ADOA for review. If changes are necessary to the draft plan, consultation with the agency will occur in an expedited manner. A final draft of the plan shall be submitted to ADOA ensuring sufficient time is available to communicate the plan to the agency's employees prior to implementation. Approval of an agency's plan shall be limited to FY2013. With the exception of counter offers (adjustment to the employee's base pay), interim compensation strategies are temporary and no compensation awarded under these temporary guidelines shall be granted beyond FY2013.

### **Reporting Requirements**

Participating agencies shall submit a report to ADOA by September 1, 2013. The report shall include:

- A brief paragraph describing how the agency used each of the strategies to support the organization's goals or strategic direction during FY2013.
- A list of the employees that received a counter offer, an incentive (spot, hiring, or conditional retention), or meritorious leave, the specific amount and type of award received.
- Key information for each employee on the list including employee name, current and new base salary, job description, etc.
- The total dollar value of incentives that was provided to each employee as an annualized amount.
- The organizational impact experienced as a result of the implementation of these strategies including impact on retention of high performing employees, employee satisfaction, employee engagement, turnover, etc.

## Interim Compensation Strategies

The following table identifies the strategies that are available to agencies to address employee compensation during FY2013.

*All compensation strategies listed in the table below are subject to the availability of funding, and must be within the agency's appropriation. Compensation guidelines do not apply to the following: Employees who report directly to an elected official, head a primary component of the office of the elected official, or as a primary duty, determine or publicly advocate substantive program policy for the office of the elected official, the agency head and each deputy director or equivalent of each state agency. In these cases, compensation shall be determined by the appointing authority and in accordance with A.R.S. § 38-611.*

*Neither the availability of these strategies nor the approval to use them shall obviate the need for agencies to manage within their budget. Agencies shall submit a plan and shall report by September 1, 2013 on the utilization of any of the following strategies, see reporting requirements.*

Option	Description	Criteria	Eligibility	Amount of Increase
<b>Counter Offer</b>  (Base pay adjusted)	Base salary increase in response to a verified job offer in order to retain a high performing employee in the same position	<ul style="list-style-type: none"> <li>• Subject to ADOA approval, an agency may provide a counter offer</li> <li>• Salary cannot exceed the maximum of the salary range for the classification</li> </ul>	<ul style="list-style-type: none"> <li>• Uncovered</li> <li>• Employee must receive a "Meets Expectations" rating or better on each competency or rating factor on their most recent performance evaluation if a performance evaluation has been completed within the past year</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of increase will vary on a case-by-case basis, considering the bona fide job offer from another employer and considering factors such as the employee's performance, internal equity ramifications, and labor market pay for the type of job and level of work</li> </ul>
<b>Spot Incentive</b>  (Base pay not adjusted)	One time, lump sum bonus given "on the spot" for an extraordinary achievement, or moment of extraordinary individual or group performance that result in efficiency, cost savings or improved productivity	<ul style="list-style-type: none"> <li>• Shall be in accordance with ADOA guidelines</li> <li>• Requires agency to submit a plan for ADOA approval prior to implementation</li> <li>• Employee incentive shall be consistent with approved plan criteria</li> <li>• Payroll Considerations: Generally will not be included in calculation of overtime rate, provided the agency does not commit or identify ahead of time that an employee or group will receive an incentive</li> </ul>	<ul style="list-style-type: none"> <li>• Uncovered</li> <li>• Correctional Officers I, II, or III or Community Correctional Officers</li> <li>• Employee must receive a "Meets Expectations" rating or better on each competency or rating factor on their most recent performance evaluation if a performance evaluation has been completed within the past year unless the Agency Director notifies ADOA in writing of justification for waiving the performance evaluation eligibility requirement</li> </ul>	<ul style="list-style-type: none"> <li>• Spot Incentives are limited to no more than \$2,000 per employee per year, although an agency may award any lesser amount according to their approved plan</li> <li>• Agencies are encouraged to define tiers for different levels of incentive amounts, commensurate with the level of efficiency gain, cost savings or productivity improvement</li> </ul>
<b>Hiring Incentive</b>  (Base pay not adjusted)	Sign-on bonus awarded to employees hired into critical positions that are either hard to fill or require rare skill sets	<ul style="list-style-type: none"> <li>• Shall be in accordance with ADOA guidelines</li> <li>• Requires agency to submit a plan for ADOA approval prior to implementation for pre-defined positions or classifications; no plan is required to address individual requests, such requests will be reviewed on a case-by-case basis</li> <li>• Employee incentive shall be consistent with approved plan criteria</li> <li>• Payroll Considerations: Incentive will be included in calculation of overtime rate; may require agency payroll to recalculate overtime earned during evaluation period</li> </ul>	<ul style="list-style-type: none"> <li>• Uncovered</li> <li>• Correctional Officers I, II, or III or Community Correctional Officers</li> </ul>	<ul style="list-style-type: none"> <li>• Hiring Incentives are limited to no more than \$5,000, and may be paid in increments over a period of time (e.g. 25% at 3 months, 25% at 6 months, 50% after 1 year)</li> </ul>

## Interim Compensation Strategies

The following table identifies the strategies that are available to agencies to address employee compensation during FY2013.

*All compensation strategies listed in the table below are subject to the availability of funding, and must be within the agency's appropriation. Compensation guidelines do not apply to the following: Employees who report directly to an elected official, head a primary component of the office of the elected official, or as a primary duty, determine or publicly advocate substantive program policy for the office of the elected official, the agency head and each deputy director or equivalent of each state agency. In these cases, compensation shall be determined by the appointing authority and in accordance with A.R.S. § 38-611.*

*Neither the availability of these strategies nor the approval to use them shall obviate the need for agencies to manage within their budget. Agencies shall submit a plan and shall report by September 1, 2013 on the utilization of any of the following strategies, see reporting requirements.*

Option	Description	Criteria	Eligibility	Amount of Increase
<b>Conditional Retention Pay Supplement (Stipend)</b>  <b>(Base pay not adjusted)</b>	Additional pay, based on specific conditions being met	<ul style="list-style-type: none"> <li>• Requires agency to submit a plan for ADOA approval prior to implementation of new conditional pay supplements</li> <li>• Employee supplement shall be consistent with approved plan criteria</li> <li>• Shall be discontinued when the qualifying conditions no longer apply</li> <li>• Payroll Considerations: Incentive will be included in calculation of overtime rate; may require agency payroll to recalculate overtime earned during evaluation period</li> </ul>	<ul style="list-style-type: none"> <li>• Uncovered</li> <li>• Employee must receive a "Meets Expectations" rating or better on each competency or rating factor on their most recent performance evaluation if a performance evaluation has been completed within the past year</li> </ul>	<ul style="list-style-type: none"> <li>• Amount of supplement may vary on a case-by-case basis, considering the labor market pay for the type of job and level of work</li> </ul>
<b>Meritorious Service Leave</b>	Paid leave that agencies may use to reward and recognize employees or teams for meritorious or exemplary service	<ul style="list-style-type: none"> <li>• Shall be in accordance with ADOA guidelines</li> <li>• Requires agency to submit a plan for ADOA approval prior to implementation</li> <li>• Employee leave shall be consistent with approved plan criteria</li> <li>• Meritorious Service Leave shall be used within 12 months of receipt and shall not be paid upon separation (i.e. no cash value)</li> <li>• Meritorious Service Leave shall not be transferred to another agency if the employee changes agencies</li> </ul>	<ul style="list-style-type: none"> <li>• Uncovered</li> <li>• Correctional Officers I, II, or III or Community Correctional Officers</li> <li>• Employee must receive a "Meets Expectations" rating or better on each competency or rating factor on their most recent performance evaluation if a performance evaluation has been completed within the past year</li> </ul>	<ul style="list-style-type: none"> <li>• Meritorious Service Leave shall be limited to no more than 24 hours of leave per employee (prorated for less than full time employees)</li> <li>• No more than 5% of the agency's employees may receive Meritorious Service Leave per year unless an exception is granted by the ADOA Director (for example an agency may wish to award leave to members of a large team that implemented a major project and the number of team members exceeds the guidelines)</li> </ul>