

Discretionary bonuses (e.g., annual bonus, spot bonus)

Discretionary bonuses provide a mechanism to reward staff employees for past performance and specific accomplishments above and beyond sustained meritorious performance recognized in base salary. Discretionary bonuses are provided solely at the discretion of management, are not guaranteed and may be withdrawn at any time. Payments are based on clearly demonstrated accomplishments such as extraordinary cost savings, generation of revenue, outstanding contributions to a project, etc. Discretionary bonuses are not measured by or dependent on hours worked or attendance. Payments are not tied to a formal variable pay plan or performance targets. Discretionary bonuses are not construed as wages and are not included in the regular rate of pay for overtime purposes. Payments are treated as supplemental compensation, paid in “lump sum,” and subject to withholding at the flat tax rate.

Schools and divisions may provide discretionary bonuses only if they have budgeted for them in advance; the availability of funding does not guarantee the awarding of discretionary bonuses. Typically, bonuses are approved during the budget approval process. Documentation must be submitted to Payroll Services indicating the establishment of a new pay line for a bonus, verification of approval and a check request. Schools and divisions are required to maintain, in employee file, records of specific rationale.

In all cases, requests for bonuses must be presented in the context of total compensation with a history of total compensation paid to that staff employee (base wage/salary and bonuses) for a three to five year period. Bonus payments and records may be audited to confirm appropriate approval has been obtained.

Approval requirements

- **Bonuses less than \$1,000**
 1. “One level up” mandatory review and recommendation
 2. School/division mandatory review and approval
- **Bonuses of \$1,000 or more**
 1. “One level up” mandatory review and recommendation
 2. School/division mandatory review and recommendation
 3. Final approval by the Provost and Senior Vice President for Academic Affairs or the Senior Vice President for Administration or their designee. Departments may use the pay increase approval request form available on the Human Resources Administration site or any alternative document (e.g., memo or spreadsheet) acceptable to the Provost and Senior Vice President for Academic Affairs or Senior Vice President for Administration. The Compensation office will coordinate the approval process.

Transactions and authorizations will be audited to confirm appropriate approvals have been obtained.