



UNIVERSITY SYSTEM  
OF GEORGIA

# Incentive Compensation and Rewards Policy

## CITATION REFERENCE

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## Policy Statement

The Board authorizes Incentive Compensation and Rewards Programs as outlined in this policy to 1) promote efficiency and effectiveness in achieving strategic organizational goals and 2) enhance the recruitment, engagement, learning, and retention of critical skills and talent necessary to achieve institutional goals. Incentive plans are also acceptable for rewarding exceptional performance on critical projects or needs substantially above the normal work requirements. Performance criteria or goals must be specified in the institutions plan. This policy also clarifies that it is permissible for institutions to develop and administer employee service recognition programs and ensures that institutions are aware of the requirement to fund programs with non-state sources of funding in accordance with the Business Procedures Manual.

Prior to implementation, each institution intending to establish an Incentive Compensation and Rewards program must establish a policy and submit a plan, which is consistent with state law, board policy and guidelines, to the USG Office of Fiscal Affairs and Office of Human Resources for approval.

## Applicability

All units of the University System of Georgia are covered by this policy.

## Who Should Read This Policy

All Human Resources personnel within the University System of Georgia should be aware of this policy.

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#### Definitions

For the purposes of this policy, the following terms and definitions apply.

**Incentive Payment:** A one-time lump sum payment, which is tied to an incentive plan, and does not become a part of base salary.

#### Program Types

Incentive compensation and rewards are available through the following programs:

- Goal-Based Incentive
- Critical Hiring Incentive
- Critical Skills Retention Incentive
- Exceptional Performance Incentive
- Extraordinary Service Acts or Achievements Program
- Employee Suggestions Program
- Employee Service Recognition Program

#### Program Funding

Incentive Compensation and Rewards programs are funded by individual Institutional budgets and subject to funding availability. The Institution's Office of Fiscal Affairs is required to identify the funding source and certify funding availability for each program prior to approval for implementation.

#### Program Certification

Incentive compensation and rewards programs become effective upon approval by the USG Office of Human Resources and the USG Office of Fiscal Affairs. Incentive Compensation Program certifications remain in effect for one year. When critical goals are achieved and incentive pay is provided, new target goals should be established and the plan resubmitted or the plan must be discontinued.

Non-monetary reward programs such as Extraordinary Service and Employee Service Recognition award programs do not require prior USG approval. However, program policies and procedures must be documented in compliance with HRAP guidelines.

#### Policies and Procedures

Institutions that choose to adopt Incentive compensation and reward programs must develop well-defined program policies and procedures and administer the program in a fair and equitable manner. Each program plan document should include the following components for consideration and approval:

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- Type of Program
- Eligible Employees. An institution may choose to exclude hourly, seasonal, temporary, and part-time employees from specific incentive compensation and reward programs at its discretion.
- Program guidelines to include nomination, award, and restrictions
- Internal approval authorities
- Funding sources (department/institution)
- Type of award (monetary or non-monetary)
- Treatment of incentive payments
  - Taxes.
    - Incentive payments are included and taxed as salary in the pay period issued.
    - Rewards may be taxable and, therefore, must be processed through institutional payroll. (BPM 5.3.2)
  - Overtime Calculations. Non-discretionary incentive payments (i.e. Performance and Goal Based) are included in the regular rate of pay for purposes of overtime calculations for non-exempt employees.
  - Retirement. Incentive compensation payments shall not be included as earnable compensation for determining retirement benefits.
- Timing of payment and/or reward. Payments and/or rewards should be made within the fiscal year of achievement.

#### Coding

To ensure proper pay and reporting, Institutions must use the appropriate HCM earning codes to document payments under Incentive compensation programs.

#### Program Guidelines

Goal-based Incentive Program (GBI): The Goal-based Incentive Program may be used by an institution to reward an employee or team for meeting or exceeding predetermined, and objectively measurable criteria that are beyond and above the employee's normal work requirements, addresses a critical strategic need and enhances the effective operation of the institution.

Goal-Based Incentive plans must include the following components:

- The critical institutional need that will be addressed by the program

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- Eligible jobs and/or positions that are eligible to participate
- Terms and conditions of employee eligibility
- Pre-determined productivity standard or revenue goal(s) that are significantly above normal business goals and objectives, and
- e) The amount(s) to be awarded to eligible employees who meet or exceed the established criteria.

Goal-based Incentive payment:

- A Goal-based incentive payment is a one-time payment for meeting or exceeding established predetermined criteria above normal business goals and objectives. Goal-based incentives may be paid only to eligible employees in jobs and/or positions listed in the plan.
- Employees must be in good performance standing (received a meets expectations or higher rating on their most recent performance review and no disciplinary actions) to be eligible for an incentive payment.
- In order to receive an incentive payment, the individual must be a current employee of the awarding institution at the time of payment.

Critical Hire Incentive Program (CHI): The Hiring Incentive Program is a formalized incentive program designed to provide institutions greater flexibility to hire prospective employees with critical skills and qualifications necessary to meet institutional strategic business objectives. For an institution to utilize critical hiring incentive payments, the institution must establish and maintain a certified Hiring Incentive plan prior to such utilization.

A Hiring Incentive Plan must include the following:

- The critical institutional need that will be met
- A list of the jobs and/or positions that the institution will make eligible for hiring incentive compensation based on one or more of the criteria listed below.
- The incentive amount(s) to be awarded.

Hiring Incentive Criteria: The Hiring Incentive Program may be used to support hiring into one of the following types of positions:

- A position determined by the institution to be critical and hard-to-fill (such as a position that has been vacant an excessive period of time with no qualified applicants, or that requires a skill set that is unavailable or rare in a particular geographic area, etc.);
- A position that is critical to an institution meeting its accreditation standards; or,
- A position that is critical to maintaining public safety;

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Hiring Incentive Payment:

- A hiring incentive payment is a one-time payment for the hire of a prospective employee with critical skills and qualifications.
- Hiring incentive payments may only be used for jobs and/or positions listed in the institution's plan.

Critical Skills Retention Incentive (CSI). An institution that is experiencing difficulties in hiring or retaining employees with job related industry specific credentials (i.e., degree and/or certifications) may establish a retention incentive program for learning new critically needed employment skills. This type of program encourages and rewards current employees who become certified or credentialed in highly desired job related skills and who enhance the capabilities of the institution.

- For an institution to utilize critical skills retention incentives, the institution must establish a plan to include the following components prior to implementation:
  - (1) The pre- determined specific credentials and the job related need of the institution that makes it essential or critical for employees to learn the new skills
  - (2). Different levels of credentials, such as those that are most mission-critical and highly valued in the labor market. (The most highly-valued certifications may require a certain amount of job-relevant experience in addition to passing an examination.)
  - (3) Supporting documentation on the job-related industry credentials and value to the organization.
  - A list of the jobs and/or positions that the institution will make eligible for the incentive compensation based on established criteria.
  - Employee eligibility and terms and conditions of eligibility
    - Employees must be in good performance standing (received a meets expectations or higher on their most recent performance review and no disciplinary actions) to be eligible for an incentive payment.
    - In order to receive an incentive payment, the individual must be a current employee of the awarding institution at the time of payment.
  - The incentive amount to be awarded. The award maybe paid as a one-time lump sum payment not added to base either as a flat amount or a percentage of base salary. The institution should establish a maximum award amount.
- Critical Skills Incentive Payment: The critical skills incentive payment is a one-time payment for learning new, critically needed employment skills and the achievement of specified certification or credential. It does not become part of base salary.

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- The incentive payments may only be awarded for achievement of degrees, certifications and/or credentials that are pre-determined and listed in the institution's plan. The critical skills and credentials included on the plan should be re-evaluated annually to ensure relevancy.
- Continuous Service Requirement. The Institution policy should require education incentive payments to be contingent upon the employee's agreement in writing to repay a portion thereof upon separation if the employee does not remain employed a minimum specified period of time. The specified period and the repayment schedule are determined at the institution's discretion.
- Qualifying credentials may not be a minimum requirement of the job. Achievement of such credentials should result in increased Knowledge and skills that enhance the incumbent's ability to perform the job or the institution' ability to meet a critical need.

Exceptional Performance Incentive (EPI). Institutions may use this incentive program to recognize individual employees or teams who achieve exceptional levels of performance in one or more areas of strategic focus. Rewards are tied to the accomplishment of expected results which must be identified and communicated at the beginning of the performance plan cycle. Exceptional Performance incentives are merit-based, reflecting the employee or team's performance as evaluated by the reviewing authority against established criteria.

The exceptional performance incentive plan must include the following components:

- Program guidelines should include protocol, nomination and selection process, timelines, and approval authority.
- Predetermined standards and achievement goals. The standards must be significantly above normal performance expectations and in support of the department and institutional strategic goals and objectives.
- Evaluation criteria and review process. All incentive programs should clearly articulate the individual performance levels required to qualify for an incentive payout, including any tiers or levels based on performance criteria, and required documentation. The program design should be clear and in alignment with the institutions performance management system.
- The incentive reward type and amount to be awarded to eligible employees who meet or exceed the established criteria to include maximum award amount. Award types may include:
  - Performance incentive payment. A one-time payment for exceeding performance expectations. The payment does not become part of base salary and maybe calculated as a flat amount or % of base salary;
  - Professional development funding; and/or

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- Commemorative recognition (plaques/certificates)
- Eligible employees and terms and conditions of eligibility and restrictions
  - Employees must be in good performance standing (received a meets expectations or higher rating on their most recent performance review and no disciplinary actions) to be eligible.
  - In order to receive an incentive payment, the individual must be a current employee of the awarding institution at the time of payment.

Employee Suggestion Program (ESP). Institutions may use this incentive program to recognize employees who provide a suggestion or idea to improve the institutions operations and/or efficiency. The suggestion or idea must be beyond and above the normal responsibilities of the job and implemented by an Institution with a recorded outcome of improved effectiveness.

Plan components must include the following:

- How to Submit a Suggestion. Written Suggestions may be submitted online, by mail, email or in person to a Suggestion Program Coordinator. Verbal suggestions are not considered.
  - Each suggestion should clearly and concisely identify the issue, propose a detailed solution to the issue, and explain the expected benefit to the institution. Inventions, whether patentable or not, will also be considered.
  - Group suggestions should be signed by all participating individuals. Awards for adopted group suggestions will be prorated.
  - Suggestions relating to the following areas will not be considered:
    - Personal grievances;
    - Specific assigned duties or responsibilities of a particular employee;
    - Classification and/or pay of positions;
    - Matters recommended for study, review, or summary;
    - Matters that result from assigned or contracted audits, studies, surveys, reviews, or research;
    - Matters requiring the enactment of legislation by the General Assembly; and

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○ ESP Policies.

- **Committee Members, and Review and Decision Process:**  
Committee members should include employee and management team members and a representative from the Office of Human Resources. Member roles, responsibilities and time commitments should be clearly communicated.

A Suggestion Program Coordinator must be appointed and will collect and provide the President or their Designee with written recommendations regarding employee suggestions. After reviewing the written recommendations, the President or Designee will make final determination regarding any action to be taken.

The following factors should be considered by the President or Designee in making the final award determination:

- Roles of potential recipients (suggestion must be beyond and above the normal responsibilities of their job(s))
  - Impact of the benefit to the Institution
  - Extent of application (i.e., how many departments adopt the suggestion);
  - Originality and ingenuity of idea;
  - Cost of adoption;
  - Effort undertaken by the employee in formulating the suggestion; and
  - Clarity and completeness of the suggestion.
  - Suggestions for improving safety are given more weight in determining the amount, if any, of a cash award.
- **Rewards:** May include certificates of merit, pins, buttons, emblems and awards. Rewards may also include limited potential for incentive pay (one time-lump sum payment).
    - **Suggestions Resulting in Quantifiable Savings:**  
An employee whose suggestion is approved, adopted and implemented by an Institution that results in direct and measurable cash savings or cost avoidance may receive a cash award (e.g. a reward amount that is based on a percentage of the expected 1st year savings). Rewards that exceed \$3,000 must be approved by the Chancellor. Rewards may not exceed \$5,000.
    - **All Other Suggestions:**  
Other suggestions that are approved, adopted and implemented by an institution may result in significant improvements that cannot be measured (e.g., suggestions involving improvements in working conditions; changes in procedures, or employee morale, health, or safety,



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etc.). These suggestions may be eligible for a maximum cash award of \$100.

- Certificates of Commendation:  
When the submitted suggestion results only in minimal savings or minor improvement, the employee may receive a certificate of commendation in lieu of a cash award. An employee receiving a cash award may also receive a certificate of commendation.
- Eligibility:
  - Employees must be in good performance standing (received a meets or higher expectations rating on their most recent performance review and no disciplinary actions) to be eligible for an incentive award.
  - In order to receive payment of a cash award, the individual must be a current employee of the awarding institution at the time of payment.
- Notification of Decision:
  - The Suggestion Program Coordinator is responsible for notifying the employee in writing of the decision, including any award to be received.  
Rights of the Parties:
    - Rights of the Institution: An institution has the right to use a suggestion in any form or manner without making any payment, including royalties, other than an award determined by the President of the Institution pursuant to the Employee Suggestion Program.
    - Rights of the Submitting Employee: The right to receive a suggestion award is the submitting employee's sole right under the Employee Suggestion Program.

Extraordinary Service Acts or Achievements Program (EXSP): Institutions may use this type of non-monetary reward program to recognize an employee or group of employees who go beyond the ordinary demands of the job in performing an extraordinary service, act, or achievement in the public interest and related to the institution's mission, vision and goals. Service, acts, or achievements deserving of an Extraordinary Service reward include, but are not limited to, the following:

- Performing an act of heroism above and beyond the normal demands of the job;
- Responding in an extraordinary manner to an unanticipated problem or opportunity on behalf of the institution;
- Performing a service, act, or achievement that particularly enhances public perception of the institution; or,
- Obtaining innovative or unique success when others' efforts have failed or it has been stated that the job could not be done.

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- Plan components must include the following:
  - Eligible Employees
  - Program guidelines and procedures
  - Internal approval authority
  - Type of reward. May include certificates of merit, pins, buttons and rewards. Extraordinary Service awards are discretionary, non-cash awards
  - Funding sources (department/institution)
  - Timing of reward. Rewards should be made within the fiscal year of achievement

Employee Service Recognition Programs. Institutions may develop programs to recognize employees for length of service and meritorious performance. Appropriate awards denoting various lengths of service are determined by the institution.

- **Funding.** State funds may not be used for the purchase of awards unless the total dollar value of the award is of a de minimis nature; which is \$75 or less (as defined in BPM 5.3.17.1.2). If the total dollar value of the award is greater than \$75, then each institution must obtain its own outside source of funds for such a program.

### Process and Procedures

USG employees are public servants and expected to devote their full effort to furthering the mission of the institution. Base pay plans should be designed to appropriately compensate employees for their service in a fair and equitable manner while also providing the ability to award merit-based adjustments consistent with employee performance. As such, incentive compensation and rewards should be used sparingly and only when clearly in the best interest of the institution. Institutions should ensure that the use of an incentive compensation and rewards plan does not create a culture of expecting that simply performing one's duties well or contributing to the institution's improvement entitles the employee to an incentive. High-performance employees normally should be recognized through merit-based salary adjustments, learning opportunities, and career advancement opportunities.

Each institution shall establish procedures to implement and comply with this policy.

Awards may be taxable and, therefore, must be processed through institutional payroll.

Institution programs must receive internal HR and budget certification.

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Responsible Parties and Contact Information

<b>Party</b>	<b>Responsibility</b>	<b>Phone/Email/URL</b>
<b>Vice Chancellor for Human Resources, USG</b>	Establish and maintain USG incentive compensation policy and guidelines. In coordination with the Office of Fiscal Affairs, review institution plans for compliance.	404-962-3235 <a href="mailto:usg-hr@usg.edu">usg-hr@usg.edu</a>
<b>Institution Chief Human Resources Officers</b>	Establish and maintain institutional incentive compensation policies and procedures as appropriate.	See University System <a href="#">HR Officer Listing</a>
<b>Budget</b>	Certify funding availability	
<b>Institution Payroll Office</b>	To assist in determining taxable amount	

Appendices (Internal Documents, Forms and Web Links)

- HRAP Wage and Salary Administration
- HRAP Salary Increase Administration
- [BOR 8.2.14](#)
- [Gratuity Policy 8.2.18.4](#)
- [Supplemental Pay BPM 5.3.2](#)
- [Taxable Fringe Benefits BPM 5.3.17.1.2](#)

Related Documents and Resources (External)

- [DOL Fact Sheet 56C Incentives Under FLSA](#)

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