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To: CSU Presidents

From: Jackie R. McClain
Vice Chancellor
Human Resources



Subject: **Confidential Employee Merit Bonus Program**

Title 5 regulations provide the Chancellor and Presidents flexibility to address Confidential employee compensation issues determining the appropriate pay to be paid to a Confidential employee and the appropriate salary adjustments to be provided based on merit and need. It has been the Chancellor's policy that salary increases may be provided during the annual merit salary increase program or when there is a change in the Confidential employee's assignment that warrants an increase in salary through an in-range progression or reclassification. Campuses have not had the authority to provide merit bonus pay to Confidential employees regardless of funding source.

As a result of discussion with Chancellor Reed, it has been determined appropriate to provide campus Presidents with increased salary flexibility for Confidential employees in line with the pay flexibility provided in many of the university's collective bargaining agreements. Effective immediately, the merit salary program for Confidential employees is expanded to include the following merit bonus program:

Presidents have the discretionary authority to reward a merit pay bonus adjustment if either of the following occur:

- An employee meets specific, measurable standards that were spelled out at the beginning of an evaluation period that indicate if specific actions are met, a merit bonus pay adjustment will be provided.
- An employee meets a specific stated objective that is both articulated in advance and is measurable.

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Bonus awards for exempt employees may be paid either as a percentage of gross income or at a flat dollar rate.

Bonus awards for non-exempt employees must be paid as a percentage of gross earnings covering the period of time being evaluated. This methodology meets the FLSA requirement that bonus awards must be factored into the regular rate of pay over the applicable period(s) if overtime was worked within those pay periods.

A campus electing to use the merit bonus option would be required to have in place specific evaluation plans outlining the criteria and/or objectives for provision of the bonus.

It is important that a total cash perspective be maintained to ensure pay levels stay within competitive ranges and that bonuses are proportionate to employees' contributions and achievements. Bonus payments may not exceed fifteen percent of annual base pay.

HR 2000-04 introduced the MPP Merit Bonus Program and the funding methodology. With the expansion of the Merit Bonus Program to Confidential employees, Confidential employee bonus funding may come from either the annual MPP and Confidential merit salary increase pool or the pool may be augmented by an amount not to exceed 1% of the campus MPP and Confidential employee salary base using campus funds. This augmentation is for bonus payments only, not for base pay adjustments. **Please note: Total campus funded MPP and Confidential employee bonus payments may not exceed a one (1) percent augmentation of the combined annual MPP and Confidential salary base that was used to calculate the combined merit salary pool.**

Payroll processing instructions will be provided in a separate Technical Letter to appropriate campus personnel.

If you have any questions, please contact Pamela Chapin at (562) 951-4414. This HR memorandum is also available on Human Resources Administration's web site at: <http://www.calstate.edu/tier3/HR-Adm/memos.html>.