

**Computing Lump Sum Performance Bonuses with the "Regular Rate" for Overtime  
Payment Adjustments - Examples**

Situation 1: An Administrative Support Assistant – Level I receives a 2.5% lump sum performance bonus totaling \$760.00 for the review period pertinent to the performance bonus (July 1, 1997 to June 30, 1998). The employee worked and was paid for 100 hours of overtime during this annual review period: 20 hours in 8/97, 40 hours in 10/97 and 40 hours in 2/98.

How to Calculate the Adjustment:

1. Adjustments are required for each pay period in which overtime hours were paid. The adjusted overtime payment must be recomputed by adding the monthly rate equivalent of the performance bonus amount. The monthly amount is determined as follows:

$$\$760 / 12 = \$63.33$$

2. Prior calculation: =  $\$2534 / 173.33 \times 1.5$  =  $\$21.92 \times 40$  hours OT  
= \$877.17

3. Adjusted calc. : =  $\$2597.33 / 173.33 \times 1.5$  =  $\$22.47 \times 40$  hours OT  
= \$899.09

4. Adjustment amount = \$21.92

Situation 2: An Analyst/Programmer – Foundation Level received a lump sum performance bonus of 2.0%, totaling \$958.00 for the annual review period between July 1, 1997 and June 30, 1998. The employee worked a total of 200 hours of overtime during this annual review period. 65 OT hours were paid in the 2/98 pay period. The remaining 135 hours were "banked" as CTO hours. Also, on December 31, 1997 the employee's CTO balance was 250 hours, of which 130 hours were "cashed-out" in the February 1998 pay period.

How to Calculate the Adjustment:

1. Adjustments will be recomputed for each pay period in which OT payments were made between July 1997 and June 1998, including any CTO cash-out amounts.

2.  $\$958 / 12 = \$79.83/\text{month}$

3. Prior calculation: =  $\$3991 / 173.33 \times 1.5$  =  $\$34.538 \times 195$  hours  
Prior 2/98 payment = \$6,734.94

4. Adjustment: =  $\$4070.83 / 173.33 \times 1.5$  =  $\$35.229 \times 195$  hours  
2/98 adjusted total = \$6,869.65

5. Adjustment amount = \$134.71

Situation 3: An Instructional Support Technician II was at the top of the salary range for his classification when he separated from the campus on February 1, 1999. The employee was notified that he would receive a 3% lump sum performance bonus for the annual review period from July 1, 1997 to June 30, 1998 prior to separating. The Technician was assigned to the evening shift and earned a shift differential at the rate of \$.55 cents per hour. During the annual review period, the Technician worked 300 hours of overtime. 100 of those hours were paid as cash over the pay periods that they were worked between July 1, 1997 and June 30, 1998, the balance of overtime was "banked" as CTO. At the time of separation, the Technician had 200 hours of unpaid CTO.

Situation 4: How to Calculate the Adjustment:

1. Adjustments will be recomputed for each pay period in which OT payments were made between July 1997 and June 1998, inclusive of shift differential payments.
2. Adjustments are required for overtime-derived lump sum balances upon separation.
3. Determine the performance bonus amount monthly rate equivalent:

$$\begin{aligned}\text{Annual salary rate} &= \$47,712 \\ \text{Annualized shift} &= \$1,144 \\ &= \$48,856 \times 3\% = \$1,465.68 / 12\end{aligned}$$

$$\text{Monthly Bonus amt} = \$122.14$$

4. 100 hours of OT was worked in the December 1998 pay period:

$$\begin{aligned}\text{Prior calculation:} &= \$3976 / 173.33 \times 1.5 = \$34.40 \times 100 \text{ hours OT} \\ &= \$3,440.00 \\ \text{Shift differential:} &= \$0.55 \text{ cents} \times 1.5 = \$0.825 \times 100 = \$82.50 \\ \text{Prior payment} &= \$3,522.50\end{aligned}$$

$$\begin{aligned}\text{Adjusted calc.:} &= \$4098.01 / 173.33 \times 1.5 = \$35.46 \times 100 \text{ hours OT} \\ &= \$3,546.42 \\ \text{Shift differential:} &= \$0.55 \text{ cents} \times 1.5 = \$0.825 \times 100 = \$82.50 \\ \text{Adjusted payment:} &= \$3,628.92\end{aligned}$$

$$\text{Adjustment amount} = \$106.42$$

5. Upon separation, CTO lump sum balances must be recomputed:

$$\begin{aligned}\text{Prior calculation:} &= \$3976 / 173.33 \times 1.5 = \$34.40 \times 200 \text{ CTO hours} \\ &= \$6,880 \\ \text{Shift differential} &= \$0.55 \text{ cents} \times 1.5 = \$0.825 \times 200 = \$165.00 \\ \text{Prior payment} &= \$7,045.00\end{aligned}$$

$$\begin{aligned}\text{Adjusted calc.:} &= \$4098.01 / 173.33 \times 1.5 = \$35.46 \times 200 \text{ CTO hours} \\ &= \$7,092 \\ \text{Shift differential} &= \$0.55 \text{ cents} \times 1.5 = \$0.825 \times 200 = \$165.00 \\ \text{Adjusted payment} &= \$7,257.00\end{aligned}$$

$$\text{Adjustment amount} = \$212.00$$

- Situation 5: A separating employee received two lump sum performance bonuses within the last three years prior to his separation. The campus must determine the highest regular rate of pay to compute the 100 hours of unused compensatory time off that will be paid to the employee upon separation on December 30, 1999.

How to calculate the highest regular rate of pay:

1. Annualize the employee's monthly salary, including any lump sum bonus amounts for the last three years prior to separation.
2. Average the annualized salaries to determine which rate of pay is highest, the average regular rate of pay or the final regular rate of pay.
3. Pay unused compensatory time upon separation with the highest regular rate of pay.

Situation 5:

Example:

- 1997 The employee's base salary was \$2500 per month, and the employee received a \$900 lump sum performance bonus;  
1998 The employee's base salary was \$3000 per month, and the employee received a \$900 lump sum performance bonus;  
1999 The employee's base salary is \$3500 per month, and the employee did not receive a lump sum performance bonus.

Analysis:

1997	$\$2500 \times 12 + \$900$	= \$30,900
1998	$\$3000 \times 12 + \$900$	= \$36,900
1999	$\$3500 \times 12$	= <u>\$42,000</u>
	Total	= \$109,800 / 36 months

The AVERAGE rate of pay = \$3,050 per month

Conclusion: The highest rate upon which to calculate the unused compensatory time upon separation is the FINAL regular rate of pay = \$3,500 per month.