

Sample Sign-On and Retention Bonus Policy

§ 1. Introduction

Local agencies may develop programs to provide bonuses to recruit or retain employees in hard-to-fill occupations. Bonuses awarded under this policy are to aid agencies and other covered employers¹ in recruitment and retention efforts necessary to carry out mission-critical services and initiatives.

A sign-on bonus is a discretionary bonus that serves as a recruitment incentive. This initiative aids in the employment of individuals for critical positions that have labor market shortages which affect the business needs of the agency and impair the delivery of essential services.

A sign-on bonus may be offered either for:

A specific job classification

or

An individual position.

For details, see “Sign-On Bonus Situation 1” and “Sign-On Bonus Situation 2” below in this policy. In either situation, the sign-on bonus must be as part of a program established to attract qualified candidates in critical positions that have labor market shortages, and it must be common practice to offer a sign-on bonus to a candidate for a position to be competitive in the market.

Retention bonuses are discretionary bonuses that may be granted by an agency when an employee would be likely to leave the agency in the absence of a retention incentive.

Retention bonuses may be offered as a retention incentive:

1. To retain a group of employees during a period in which the agency is offering a sign-on bonus as a recruitment incentive to attract qualified candidates in critical positions that have labor market shortages impacting the business needs of the agency and impairing the delivery of essential services.
2. To retain an employee when the agency has offered a sign-on bonus as a recruitment incentive to an individual in a similar, critical position that has labor market shortages which affect the business needs of the agency and impair the delivery of essential services.
3. To retain a team of employees assigned to a special initiative of the agency, state, institution, or system where their combined special skills and understanding of the initiative are critical to its successful completion.

or

To retain an employee critical to the agency’s mission.

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§ 2. Employee Eligibility for Sign-on and Retention Bonuses

Sign-on Bonus Eligibility

Only candidates for probationary, permanent, or time-limited positions may be eligible for sign-on or retention bonuses. To be eligible for a sign-on bonus, the candidate must not have worked as a County probationary, permanent, or time-limited employee in the last 12 months.

Employees eligible for a sign-on bonus must work at least 20 hours per week. Bonuses for eligible employees working in part-time positions will be prorated based on hours worked.

Retention Bonus Eligibility

Only probationary, permanent, or time-limited employees may be eligible for sign-on or retention bonuses. Probationary, permanent, or time-limited employees may be eligible for a retention bonus if:

- The employee has not received in the last 24 months a retention or sign-on bonus from any agency for the job classification in which they are working.
- and
- The employee's overall performance evaluation rating is at least "Meets Expectations," and the employee does not have an active disciplinary action.

Employees eligible for a retention bonus must work at least 20 hours per week. Bonuses for eligible employees working in part-time positions will be prorated based on hours worked.

§ 3. General Criteria for Use

Must Not Be Based on Productivity

Sign-on and Retention bonuses shall not be tied to meeting specific goals, special levels of productivity, quality and accuracy of work, efficiencies, or attendance.

Documentation

Counties must generate a job-related justification that supports the bonus. Complete, accurate and compelling documentation is a best practice and is required to demonstrate compliance, legal defensibility, and fiscal responsibility. Therefore, agencies must prepare and keep thorough supporting materials for each bonus decision, including specific details of the process used to determine salary. These supporting materials must be placed in the system of record designated by the County. To document the decision-making process, agencies should consider using a form similar to the Sample Documentation Form attached.

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Equity and Other Pay Factors

Counties must apply the pay factors found in their local Pay Administration Policy when making decisions regarding when and how to grant sign-on or retention bonuses to similarly situated employees. It is not a requirement to pay existing employees retention bonuses just because a sign-on bonus is offered to candidates.

Mentioning Sign-On Bonuses in a Job Posting

If a sign-on bonus is mentioned in a job posting, agencies must include the following statement, so that potential applicants are aware of the restriction stated in § 2 of this Policy above.

§ 4. Specific Situations in Which a Sign-On or Retention Bonus Can Be Provided

For an agency to offer a sign-on or retention bonus, certain criteria must be met for each of the situations outlined above. The six situations below are the only situations in which an agency may offer a sign-on or retention bonus. The individual criteria for each of these situations follows:

Sign-On Bonus Situation 1: Sign-on Bonus for a Specific Job Classification

In this situation, the sign-on bonus provides a recruitment incentive to attract qualified candidates in job classifications critical to the mission of an agency that have labor market shortages impacting the business needs of the agency and impairing the delivery of essential services. To enhance its ability to recruit during labor market shortages, an agency may determine the need to offer competitive sign-on bonuses to candidates hired into positions for a specific job classification within the agency, division, facility, or unit. The sign-on bonus may also be limited to a geographical area.

Documentation shall include:

- The proposed duration for the sign-on bonus program.
- Amount of the sign-on bonus and how payment shall be distributed (ex., in 1st paycheck and in 12th paycheck).
- That the sign-on bonus will be consistently applied to all candidates.
- Data demonstrating that (1) turnover rates are significantly higher than acceptable, (2) retention rates are significantly lower than acceptable, (3) vacancy rates are significantly higher than acceptable, or any combination of these three. (This evaluation may be based on historic rates or on the agency's ability to meet its functions with that rate of turnover, retention, or vacancies.)
Data demonstrating that sign-on bonuses are recognized as a common practice to be competitive in the market for the candidates being recruited for a specific classification.

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- Steps are being taken to mitigate the recruitment or retention challenges.

Sign-On Bonus Situation 2:

Sign-on Bonus for an Individual Position

In this situation, the sign-on bonus provides a recruitment incentive to attract qualified candidates in a position (typically the employee in the position will serve as the only individual in a role or is one of two within an agency) that is critical to the mission of an agency in which the market is very competitive. An agency's inability to attract and hire a strong candidate would impact the business needs of the agency and impair the delivery of essential services.

Agency documentation shall include:

- amount of the sign-on bonus and how payment will be distributed to new hire;
- justification demonstrating that sign-on bonuses are recognized as a common practice to be competitive in the market for the position being recruited; and
- steps are being taken to mitigate the recruitment or retention challenges.

Retention Bonus Situation 1:

Retention Bonus in Parallel with a Sign-On Bonus Program for a Specific Job Classification

In this situation, the retention bonus provides a method of retaining a group of employees when the agency is offering a sign-on bonus as a recruitment incentive to attract qualified candidates in critical positions that have labor market shortages impacting the business needs of the agency and impairing the delivery of essential services.

- The agency must be actively offering a sign-on bonus for a job classification to create and implement a similar program to provide a retention bonus to employees in the same job classification within the agency, or a specific division or unit. The retention bonus may also be limited to a geographical area.
- Steps are being taken to mitigate the recruitment or retention challenges.

Retention Bonus Situation 2:

Retention Bonus in Parallel with a Sign-On Bonus for an Individual

In this situation, the retention bonus is provided to retain an employee when the agency has offered a sign-on bonus as a recruitment incentive to an individual in a similar, critical position within the same work unit that has labor market shortages which affect the business needs of the agency and impair the delivery of essential services.

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- The agency must be offering a sign-on bonus to the candidate selected for an individual position in order to provide a retention bonus to an employee in the same role within the agency.
- Steps are being taken to mitigate the recruitment or retention challenges.

Retention Bonus Situation 3: Retention Bonus Tied to a Special Initiative

In this situation, the retention bonus is provided to retain a team of employees assigned to a special initiative of the agency ~~state, institution, or system~~ where their combined special skills and understanding of the initiative are critical to its successful completion. A “special initiative” is a defined project with specific goals, an expected beginning and end, and dedicated staff who spend a substantial amount of their time on that project. The following criteria must be satisfied:

- the employees must have specialized skills critical to the initiative’s successful completion,
- the special initiative must have a defined completion or end date (although that date may change over time),
- the agency is or would not be able to recruit another individual to replicate the demonstrated skills of employee(s) considered to be subject matter experts within the specialized team without impacting the timely completion of the project, and
- steps are being taken to mitigate the recruitment or retention challenges.

Retention Bonus Situation 4: Retention Bonus for an Individual

In this situation, the retention bonus is provided to retain an **employee** when they are likely to leave the agency to work for another agency or employer. The following criteria must be met for that specific employee:

- there is a competitive labor market for the skillset,
- the employee has skills critical to the mission of the agency that would be difficult to timely replace, and steps are being taken to mitigate the recruitment or retention challenges.

This retention bonus option also provides agencies with a mechanism to retain an employee critical to an agency’s mission during a period of transition, such as a closure or relocation of an employee’s office, facility, activity, or organization, who would be likely to leave before the transition is complete.

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§ 5. Steps to Take to Mitigate Recruitment and Retention Issues

Whenever a bonus is provided under this Policy, agencies should have a plan, included in sample bonus documentation attached, to address any broader recruitment or retention issues for the job classification or position.

Examples of other recruitment and retention strategies include: increasing efforts to reduce vacancies to offset heavier workloads on employees; moving the employee's salary towards midpoint or other locally defined parameters that conform to local financial ability and fiscal policy, offering workplace flexibility to be competitive with the market; addressing any pay equity issues; supporting inclusion; conducting informal "stay" interviews to understand the employees' career interests and goals; developing career paths so employees can see opportunities for growth within the agency; and increasing training opportunities. Some of these steps take time to implement, but each can help to mitigate recruitment or retention problems.

§ 6. Payment and Recoupment of Sign-on or Retention Bonus Amount

The amount of a sign-on or retention bonus shall be determined based on local labor market data and pay factors, that conform to local financial ability and fiscal policy.

Payment of Bonus in Installments

A bonus over \$2,500 must be paid in at least two installments. An agency can choose the number of multiple defined payments (monthly, quarterly, etc.).

- The minimum amount of time over which the installments are paid shall not be less than 90 days.
- No more than two-thirds of the total bonus may be paid in the first installment.
- The maximum amount of time for the last installment shall be no longer than 18 months following the first installment. Periods of LWOP do not count toward those 18 months.

The period of time over which the installments are paid is referred to in this policy as the "period of consecutive service."

Eligibility for the Final Installment

An employee in an active pay status is eligible for the final sign-on or retention bonus installment if the employee remains employed in the same agency and in the same occupational area for the defined period of consecutive service.

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Notwithstanding the above, an employee is not eligible for the final sign-on or retention bonus installment if:

- the employee's overall performance rating at any time is not at a minimum of "Meets Expectations" or the employee has documented disciplinary actions for misconduct or performance;
- the employee subsequently transfers to another agency before the completion of the defined period of consecutive service; or
- the employee's employment terminates before the defined period of consecutive service.

Availability of Funds

The approval of all personnel actions, including any bonus action, is subject to the availability of funds. No action can be implemented that would exceed the funds available. Any written salary commitment shall include a statement of notification that the salary is subject to the availability of funds. Communications about salary are subject to retraction if there is an administrative error or the salary has not been approved by the proper authority.

Employees Are Not Required to Accept a Sign-On Bonus or Retention Bonus

If a sign-on or retention bonus is offered to an applicant or employee, the applicant or employee is free to decline it. Sign-on or retention bonuses are not mandatory, and it is not a condition of employment for someone to accept a sign-on or retention bonus.

Repayment

Before an employee may receive a sign-on or retention bonus, that employee must execute an agreement under which the employee must repay the bonus, in whole or part, if they terminate employment with the agency or transfer to another agency, either voluntarily or involuntarily, before the completion of the agency's defined period of consecutive service.

For a bonus paid in one installment, the period of consecutive service is between 3 months and 18 months, at the agency's discretion. For a bonus paid in multiple installments, the period of consecutive service is the total period of time between the first installment and the last installment.

Employees are free to not sign this agreement and not receive a sign-on or retention bonus, but the employee must sign the repayment agreement to receive the bonus.

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The repayment shall be based on the following formula:

$$\frac{\text{Amount of Sign On or Retention Bonus Received}}{\text{Period of Consecutive Service, in Months}} = \text{Prorated Monthly Amount}$$

$$\text{Prorated Monthly Amount} \times (\text{Period of Consecutive Service} - \text{Months Worked}) = \text{Amount Due}$$

For example, if the employee received a \$5,000 sign-on bonus, to be paid in a first installment of \$3,000 at sign-on and a second installment of \$2,000 twelve months later, but the employee leaves after six months, the repayment would be \$1,500.

Calculated as follows:

$$\text{\$3000 sign on bonus received} / \text{12-month period of consecutive service} = \text{\$250 Prorated Monthly Amount}$$

$$\text{\$250} \times (\text{12 months} - \text{6 months}) = \text{\$1,500 Amount Due}$$

The amount due shall be deducted in full from the final paycheck to the employee from the agency that provided the bonus. If the amount deducted exceeds the final paycheck, the remaining balance shall be paid in full to the agency within 60 days from the last date of employment.

Employees may not be disciplined for failing to stay with an agency for the full period of consecutive service. Similarly, although an employee may have an amount to repay if the employee received a sign-on or retention bonus but did not stay with the agency for the full period of consecutive service, the only remedy is to recover those funds from the employee, not seek to discipline the employee.

Notwithstanding any other provision of this Policy, an employee does not need to repay any amount of a bonus if the employee's transfer or termination of employment was due to:

- Death or severe illness requiring hospitalization of the employee or the employee's parent, spouse, sibling, or child;
- Separation because employee was unable to perform all the position's essential duties because of a medical condition or the vagueness of a medical prognosis; or
- A reduction in force.

Impact of Anti-Pension-Spiking Laws

When implementing any bonus program or granting an individual bonus, agencies should consider the potential impact of fiscal commitments to comply with the anti-pension-spiking laws, as first enacted by 2014 House Bill 1195 and amended thereafter. In some situations, for well-compensated employees, bonuses may result in a need for the agency, at the time the employee retires, to pay an additional employer contribution into the local retirement system (check with your provider).

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§ 7. Credit for Consecutive Service; Impact of Leave on Consecutive Service Credit

One month of credit toward the defined period of consecutive service is granted for each month that the employee is in pay status for one-half or more of the scheduled workdays and holidays in the pay period.

Time on military leave or workers' compensation leave applies to the period of consecutive service, with the final installment being paid when the employee returns to work.

If an employee is on leave without pay, all periods of time for the consecutive service calculation, and all agreements under which the employee must repay the bonus, will be paused for the time while the employee is on leave without pay. (For example, if an employee receives a retention bonus that is to be paid in two installments 18 months apart, and then the employee goes on leave without pay for two months, the second installment would be paid 20 months after the first installment.)

§ 8. Agency Responsibilities

Prior to approving any sign-on or retention bonus, agencies shall:

1. Establish written procedures for review and approval of bonuses within their agency. HR directors shall be final approval for sign-on and retention bonuses. Any delegation of authority must be clearly documented within the agency's program.
2. Document how an employee or group of employees meets the criteria for the bonus.
3. Create and retain signed agreements with the employee that defines eligibility, method of payment, and criteria for repayment.
4. Fund bonuses from receipts or appropriated funds.

During and after the process for the sign-on or retention bonus, agencies shall:

5. Document actions and track local metrics.
6. Ensure that repayments are made as required under Section 6 of this Policy.