
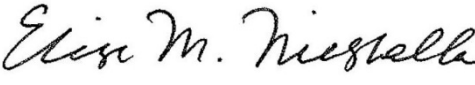




Policy Title	Standardized Employee Bonuses
Effective Date	September 4, 2024
Supersedes	NA
Approval	<div style="display: flex; justify-content: space-between; align-items: flex-start;"> <div style="text-align: center;">   </div> <div style="text-align: right;"> <p>Matthew A. Brown State Personnel Director</p> <p>Elise Nieshalla State Comptroller</p> </div> </div>
References	IC 4-15-2.2-27 31 IAC 5-5-1 Compensation Policy FMC 1.1 29 CFR Section 778 FLSA 29 Fact Sheet #56C

PURPOSE

To provide a framework and process for issuing bonuses to state employees.

SCOPE

This policy applies to all agencies and employees under the authority of the Governor and Lieutenant Governor.

POLICY STATEMENT

Recognizing and rewarding employee performance is integral to achieving a high-performing and engaged workplace culture, and retaining an engaged workforce is central to delivering great government service. Monetary rewards offer an effective and prompt way to recognize employee achievements.

Bonuses may be issued based on attainment of specific goal outcomes, performance metrics, or for extraordinary performance or contributions to the agency mission. Bonuses may be discretionary or non-discretionary, and different requirements and procedures apply depending on the type of bonus.

State agencies are encouraged to utilize the bonus programs, and when used, must be used in compliance with State Budget Agency (SBA) guidance and this policy. A policy or program offering or resulting in additional compensation cannot be implemented without amending the Pay Plan in accordance with applicable laws, rules, and policies. As such, prior to implementation all proposed bonus programs must be approved according to the Compensation and Classification Review (CCR) processes outlined in the [Compensation Policy](#).



DEFINITIONS

Approving Authority: Agency management official who is responsible for final signature approving the reward based on the process as required by the issuing agency.

Discretionary Bonus: An award is discretionary only if the employer has the sole discretion, until at or near the end of the period that corresponds to the bonus, to issue the bonus. This includes not only the decision to pay the bonus, but also to determine the amount of the bonus, so long as the bonus payment is not made according to any prior contract, agreement, or promise causing an employee to expect such payments regularly. Discretionary Bonuses do not impact salary or overtime calculations but are one-time, optional monetary awards for employee recognition purposes.

Nominee: State employee nominated to receive a Discretionary Bonus.

Non-discretionary Bonus: An award is non-discretionary and must be included in the regular rate of pay if it is paid based on a predetermined formula, such as individual or group production bonuses, for quality and accuracy of work, or other promise on which employees can expect to receive the bonus if they meet the established criteria. Non-discretionary bonuses have budgetary impact from additional wages and taxes beyond the cost of the bonus itself over the course of the lookback period.

Pay Plan: The system of compensation established by INSPD pursuant to IC 4-15-2.2-27 and approved by the State Budget Agency and the Governor.

Program Designee(s): Agency employee(s) responsible for completing payment processing when a bonus has been fully approved, tracking and reporting annual bonus compensation totals, and ensuring compliance with SBA's [Financial Management Circular \(FMC\) 1.1](#) (Fiscal Prudence Measures) and all applicable laws, rules, and policies. The role is responsible for retaining the Nomination Form, approval, and payment notifications.

Recipient: State employee who receives a non-discretionary bonus.

Stipends: Payment of a fixed amount to perform a task or set of tasks over a period of time, usually in the context of a faculty or staff member of a school serving as a coach, club sponsor, or similar activities for students in addition to their regularly assigned duties.

RESPONSIBILITIES

Approving Authority is responsible for:

- Final signature approving the reward based on the process as required by the issuing agency; and
- Providing all required documentation to Program Designee for payment, tracking, and monitoring purposes.

Program Designee is responsible for:

- Submitting proposed bonus program(s) for review through CCR process;



- Identifying each proposed bonus as Discretionary or Non-discretionary;
- Notifying Agency Payroll Staff of the specific bonus program under which an approved bonus was awarded for assignment of the correct earnings code;
- Tracking the annual bonus compensation total for each employee;
- Notifying Approving Authority when any agency employee reaches the maximum allowable compensation under each bonus program in a fiscal or calendar year;
- Retaining the Nomination Form and approval notifications for Spot Bonuses; and
- Ensuring compliance with all applicable laws, rules, and policies.

Agency Finance Staff is responsible for:

- Ensuring the appropriate account code(s) for bonuses are set up;
- Entries into financial records, tracking and monitoring that all agency bonus awards are placed in the appropriate funding records; and
- Performing as Program Designee if so designated.

Agency Payroll Staff is responsible for:

- Completing and submitting the PSHUP Template, including required comments or documentation;
- Using the correct earnings code for each bonus; and
- Performing as Program Designee if so designated.

HR Representative is responsible for:

- Assisting to process proposed bonus program(s) through the CCR process;
- Working with Approving Authority to assess eligibility for each bonus program available to employees of the agency;
- Maintaining a copy of any completed bonus-related forms and approval in the employee's and applicant's personnel files; and
- Maintaining copies of any agency- or classification-specific bonus programs.

Indiana State Personnel Department (INSPD) is responsible for:

- Reviewing all proposed bonus programs, determining in partnership with State Comptroller's Office whether each is discretionary or non-discretionary, and maintaining a master list of approvals and amendments to the Pay Plan;
- Providing to State Comptroller's Office information on approved bonus programs;
- Partnering with State Comptroller's Office to establish any procedures or forms necessary to implement this policy in accordance with applicable federal and state laws, rules, and policies;
- Participating in the CCR process for managing and reviewing requests for Pay Plan changes, including bonus programs;
- Monitoring the use of spot bonuses and referral bonuses statewide and the programs' effectiveness; and
- Interpreting this policy and advising agencies on adoption of their own processes to effectuate this policy.

State Comptroller's Office is responsible for:

- Partnering with INSPD to establish any procedures or forms necessary to implement this policy in accordance with applicable federal and state laws, rules, and policies; and
- Processing payments under this policy.

State Budget Agency (SBA) is responsible for:

- Working with hiring agencies to ensure all eligible spot and referral bonuses are funded;
- Working with agencies to identify funding for all bonus programs offered by each agency;
- Participating in the CCR process for managing and reviewing requests for Pay Plan changes, including bonus programs; and
- Working with INSPD to evaluate the effectiveness of available bonus programs.

PROCEDURES

A. General

Agencies may participate in any of the following statewide bonus programs in accordance with the requirements and parameters established in each program document:

1. [Agency Spot Bonus Program](#) - Discretionary Performance Bonus
2. [Governor's Public Service Achievement Award](#) (GPSAA) Bonus
3. [Pay for Performance](#)
4. [Referral Bonus Program](#)

Depending on the policy or procedural requirements of the program, agencies may establish internal forms or processes to manage requests, approvals, and reporting of the bonus programs approved under the programs listed above. However, all bonus payments must comply with State Budget Agency's [Financial Management Circulars](#) and Indiana State Personnel Department's [Standardized Policies](#). Additionally, all bonuses must be processed through payroll within PeopleSoft unless the agency is otherwise a Direct Bill Quasi agency.

All proposed, agency-specific bonus programs outside of those listed above must be submitted to the CCR via the agency's Human Resource Representative. If a bonus is non-discretionary, submission must define the affected pay period(s) in which the bonus payment must be applied to all premium overtime payments received by each Recipient.

B. Spot Bonuses

These Discretionary Bonuses enable and encourage state agencies to recognize and reward employee performance within the procedures and parameters authorized by the State Budget Agency, Governor, and as described in the policy to enable success and consistent usage across agencies.

Procedural requirements are described in INSPD's standardized [Agency Spot Bonus Policy](#).

C. Governor's Public Service Achievement Award (GPSAA)

The Governor's Public Service Achievement Awards, administered by INSPD on behalf of the Office of the Governor, are Discretionary Bonuses that recognize State of Indiana employees and teams who, through their commitment and innovation at work, have produced a measurable, positive impact on their agency's finances, operations, or population served during a designated period. Find program details, including the current effective period, [here](#).



D. Pay for Performance Bonuses

These Discretionary Bonuses are implemented by INSPD and issued not more than once per calendar year based on the State's fiscal position and overall performance ratings assigned to employees in accordance with the [Performance Management Policy](#) and [Salary and Performance Management for Teachers Policy](#).

1. Ratings of Unsuccessful, Needs Improvement, Ineffective, and Improvement Necessary are not eligible for bonuses.
2. The value of bonuses assigned to other ratings depends on the State's fiscal position and authorization from the Governor and State Budget Agency.

E. Referral Bonuses

These Discretionary Bonuses enable and encourage state employees to refer talented applicants for vacant state positions to enable the delivery of great government service. The state will offer any employee a financial incentive for successful referrals within the procedures and parameters authorized by the State Budget Agency, Governor, and as described in the standardized [Referral Bonus Policy](#).

F. Agency- or Classification-specific Bonuses

1. Discretionary Performance Bonuses
 - a. Agencies providing Discretionary Bonuses must establish and publish to their employees a policy describing eligibility and parameters of the bonus program.
 - b. Prior to implementation, the Agency policy must be submitted to INSPD for CCR via their Human Resource Representative for review to ensure the program contains all necessary information and is in compliance with the standardized, statewide Agency Spot Bonus Policy and all legal, technical, and payroll processing requirements.
2. Non-discretionary Performance Bonuses
 - a. Agencies providing Non-discretionary Bonuses must establish a policy describing eligibility, clearly identifying the criteria to be met to qualify for the bonus (including the applicable time frame), and the parameters of the bonus program.
 - b. Prior to implementation, the Agency policy must be submitted to INSPD for CCR via their Human Resource Representative for review to ensure the program contains all necessary information and meets all legal, technical, and payroll processing requirements for non-discretionary bonus calculations.
3. Certified Public Accountant Bonuses
 - a. This program provides employees, in designated job classifications and agencies, who have attained and maintained an active Certified Public Accountant certification with a \$1,250 quarterly bonus.
 - b. Details of this bonus program are [here](#).

G. Stipends

Indiana School for the Blind and Visually Impaired and Indiana School for the Deaf are authorized to issue Stipends. A list of Stipends must be submitted to INSPD Compensation and Classification Division annually by July 1 for the upcoming school year. The list must include the name or

purposes of the Stipend, amount of the Stipend, and the name and PeopleSoft identification number of the employee(s) to receive each Stipend.

H. Earnings Codes

Unique earnings codes are assigned for each type of bonus program for efficient processing and reporting. The following chart lists the earning codes that must be used for payroll processing.

Bonus Program	Earnings Code	Type of Bonus Discretionary or Non- discretionary	Description	Payroll Calculations
Agency Spot Bonus - Performance Bonus	ASB	Discretionary	This policy enables state agencies to recognize and reward employee performance by awarding monetary rewards. An individual spot bonus must meet the definition of discretionary as defined under FLSA and cannot exceed a gross value of \$1,000 pursuant to SBA's FMC 1.1.	One-time lump sum processed as wages in pay period received.
Certified Public Accountant Bonus	CPA	Discretionary	This program provides employees, in designated job classifications and agencies, who have attained and maintained an active Certified Public Accountant certification with a \$1,250 quarterly bonus.	Quarterly lump sum processed as wages in pay periods received.
Governor's Public Service Achievement Award (GPSAA) Bonus	GBN	Discretionary	A program designed to recognize State employees and teams who, through their commitment and innovation at work, have produced a measurable, positive impact on their agency's finances,	One-time lump sum processed as wages in pay period received.



			operations, or population served. The program is sponsored by the Office of the Governor, announced annually, and administered by INSPD. When bonuses are issued as a part of the awards programs, this code should be utilized to process payment to the impacted employees.	
Pay For Performance Bonus	BON	Discretionary	Each year the state will determine whether funds are available to recognize successful performance. If a Pay for Performance bonus is authorized by the Governor, this code is used to process the allowable bonuses. This code shall not be used for anything other than annual Pay for Performance bonuses.	Increase amount applied by INSPD based on performance rating and processed as wages in pay period received.
Non-discretionary Performance Bonus	NDB	Non-discretionary	Guaranteed upon attaining pre-defined performance criteria (e.g., performance metrics)	Recipient's overtime for previous [# days, weeks, months] (period over which the metric was achieved) will be recalculated in the system with new hourly rate including bonus payment.



Referral Bonus	RBP	Discretionary	This program encourages current state employees to refer talented applicants for vacant state positions. Any financial incentives awarded to a state employee who meets the requirements of the standardized policy must be paid utilizing this code.	One-time lump sum processed as wages in pay period received.
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I. Payroll Processing Guidelines

- Agency Payroll must complete and submit the appropriate PSHUP (Paysheet Upload) template applicable to the earnings code (the non-discretionary (NDB) bonus has its own unique PSHUP template) to the Comptroller’s Payroll Department. The Agency PSHUP Template Instructions can be found in your BUs Incoming-Reports folder.
- Agency Payroll must email Payrolldept@comptroller.in.gov stating you have saved an earnings template to the Outgoing-Reports folder. Include in the email:
 - The name of the file
 - The name of the SPD approved Bonus Program

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