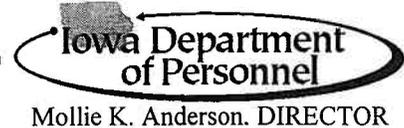


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Mollie K. Anderson, DIRECTOR

December 19, 2002

To: Members, Legislative Fiscal Committee

From: Mollie Anderson, Director  
Iowa Department of Personnel

RE: Recruitment, Retention and Discretionary Payments

Attached you will find questions and answers regarding the State of Iowa's policy on recruitment, retention and discretionary payments. To summarize, these payments are human resource management tools used in both the private and public sectors. They have been used in Iowa's executive branch for more than 25 years. During this period they have been used to attract and retain qualified executives, doctors, nurses, pharmacists, auditors, and information technology specialists, and many other workers when marketplace worker shortages exist.

To put these payments in perspective, in fiscal year 2001 the total amount of all discretionary incentive payments was .076% of the executive branch payroll. These payments are published annually in "Just the Facts," first released in fiscal year 2000 to provide workforce information.

The government of the State of Iowa is a multi-billion dollar business that must be directed and staffed by highly qualified employees. We are in direct competition with private industry and other government agencies, state and federal, and must use all tools available to us to compete. The competition is intense. The recruitment, retention and discretionary payment program is an important tool for us as we face the competition.

These are challenging times for all Iowans. The budgets of Iowa families are tight just as government budgets are tight. This is not the time to entrust precious tax dollars to anyone other than the best and brightest. The business of government is changing in fundamental ways. Today, more than ever, we must do more with less. Our success depends heavily on hard work by the right people in the right jobs. This program is one tool to help us in our efforts.

In addition to answering several questions regarding the State's policy and its history, examples are provided of State employees who are currently receiving these payments and how the payments are benefiting the people of Iowa.

I look forward to discussing this program with you and answering any questions you may have.

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# Recruitment, Retention and Discretionary Payments

Prepared for Legislative Fiscal Committee  
December 19, 2002

## Questions and Answers

### **What is the statutory authority for providing recruitment, retention and discretionary payments?**

The Legislature granted the Iowa Department of Personnel broad statutory authority for recruitment, retention and discretionary payments under Chapter 19A, Personnel. Rules authorizing special pay for meritorious service have evolved over a 25 years period and rules providing for recruitment and retention pay are nearly 15 years old.

### **Why are recruitment, retention and discretionary payments offered?**

These payments represent a common human resource practice to recruit and retain employees with special expertise or additional skills that add value to the workplace. Payments are offered to meet the competition, address worker shortages, acquire specialized skills, and attract workers to rural areas or to hazardous work environments.

Information on these practices is available annually in "Just The Fact's", first published by the Department of Personnel in 2001. It is updated annually and is available at the State's website.

### **Why are these payments offered to executives?**

These payments are sometimes offered to assist appointing authorities to compete in the marketplace for the best and brightest executives to lead multi-million dollar agencies. In the private sector, employers determine pay by considering factors such as the risk managed, the scope of responsibilities and the special skills and abilities that are required. Additionally, marketplace competition, the supply of qualified candidates, and the rate of return to the State are important considerations when making these payments. When the appointing authority has the opportunity to attract exceptionally talented or skilled individuals, these payments can make an important difference.

### **What is the oversight of these types of payments?**

Recruitment, retention and discretionary payments are a matter of public record. All payments must be made in accordance with IDOP rules and

paid by the Department of Revenue and Finance. They are auditable and tracked quarterly.

The decision to grant a recruitment, retention or discretionary payment rests with the appointing authority. Additional financial resources are not provided. These payments must be allocated within the limits of the appointing authority's budget. Therefore, the appointing authority must determine that the return on investment exceeds the payment cost. The appointing authority must follow criteria established by administrative rules under the authority of Chapter 19A. IDOP Sub rule 4.9(5)] states:

A lump sum payment may be requested on the "Special Pay/Appointment Action" form and be given to an applicant as a recruitment incentive or to retain a current employee subject to the following conditions:

- A written explanation providing the reasons for the request must first be submitted and reviewed by the director of the Iowa Department of Personnel.
- As a condition of receiving a recruitment or retention payment, an applicant /employee must sign an agreement to continue employment with the agency for a period of time commensurate with the payment received.
- If the applicant/employee voluntarily leaves the agency of employment or is terminated for cause, they are required to repay a proportionate amount of the payment.
- When the change in employment involves movement from one state agency to another state agency, the director of the Iowa Department of Personnel must approve the repayment schedule.

### **What are discretionary payments?**

IDOP Sub rule 4.9(4)] states:

Discretionary pay is a lump sum payment for exceptional job performance given to employees when the appointing authority deems it appropriate. It is appropriate when the employee's current performance far exceeds the standards for the job, and assigned duties and responsibilities are accomplished at a level of quantity and quality significantly above and beyond normal expectations. It is an effective way to recognize the outstanding accomplishments of an employee under the right circumstances. The following guidelines are intended to assist you in making decisions about giving discretionary pay and in preparing the written justification that must be included on the "Special Pay/Appointment Action" form (CFN 552-0125) and the "Discretionary Pay" form (CFN 552-0667).

1. Review the normal expectations of the employee based on the employee's most recent performance plan.

2. Describe (on the Discretionary Pay Justification form CFN 552-0667) how the employee's performance exceeds those expectations. Be specific about how it contributes to the Governor's human resource goals, including establishing a renewed focus on customer service, linking performance to compensation and rewards, and adding value.
3. Describe how the employee's exceptional accomplishments were measured. This may include written material, direct observations, information from customers, etc. Include the length of time that the employee has been performing at the higher level.

**Are recruitment, retention and discretionary payments used by federal agencies or other states? By private industry?**

Federal Agencies. According to the Federal Office of Personnel Management, the federal government has an established policy recruitment, relocation and retention payments, as follows:

**PAY FLEXIBILITIES:** Agencies have discretionary authority to provide additional compensation to meet recruitment, relocation, and retention needs.

- **Recruitment and Relocation Bonuses:** Agencies may pay as a lump sum recruitment bonuses for new appointees and relocation bonuses for current employees who are moving to a different commuting area of up to 25 percent of basic pay, when they would encounter difficulty in filling the position in the absence of a bonus. To receive these bonuses, an employee must sign an agreement to complete a period of service with the agency - at least 6 months in the case of a recruitment bonus. These payments are not considered a part of basic pay.
- **Retention Payments:** Agencies may pay a retention allowance (paid bi-weekly) of up to 25 percent of basic pay to an employee, if the unusually high or unique qualifications of the employee or a special need of the agency for the employee's services makes it essential to retain the employee; and the agency determines that without the allowance the employee would be likely to leave the Federal Government, whether or not other employment is planned. These payments are not considered a part of basic pay.
- **Other Flexibilities:** Agencies may also pay pre-employment interview expenses and travel and moving costs for new appointees. Agencies may advance pay for new appointees up to 2 pay periods (unless the appointee is the agency head). SES members are also covered by the special pay provisions for law enforcement officers and physician comparability allowances.

Other States. Many states offer bonus programs including Arizona, Arkansas, Colorado, Idaho, Illinois, Indiana, Kansas, Louisiana, Michigan, Minnesota, Missouri, Montana, Nebraska, Nevada, New Mexico, North Dakota, Oklahoma, Oregon, South Dakota, Texas, Utah, Virginia, Washington, Wisconsin, and Wyoming.

Private Industry. Bonus programs are commonplace in private industry from which government executives are often recruited. For example, according to the Notice of annual Meeting of Stockholders, January 23, 2002, for Lee Enterprises, Inc. of Davenport, Iowa bonuses for executives ranged from \$31,000 to \$300,000. At Principal Financial, fiscal year ending December 31, 2001, bonuses for executives ranged from \$212,488 to \$845,692.

### **Explain the history of special payments for State employees.**

The use of special payments is not new to State government and is not limited to executives. For many years, various incentive programs and compensation practices have been used. These incentive programs and compensation practices include pay for temporary assignments, leadworkers, special duty and extraordinary duty as described in IDOP sub rule 4.8, which states:

581—4.8(19A) Temporary assignments. Requests to provide employees with additional pay for temporary assignments shall first be submitted in writing to the director for review and indicate the reason and period of time required, if applicable. This pay may exceed the maximum for the employee's class. If temporary assignments are terminated or the duties removed, the additional pay shall also end.

4.8(1) Leadworker. An employee who is temporarily assigned lead work duties, as defined in rule 581—1.1(19A), may be given additional pay of up to 15 percent.

4.8(2) Special duty. An employee who is temporarily assigned to a vacant position in a class with a higher pay grade may be given additional pay equal to that provided in paragraph "a" or "b" of sub-rule 4.6(6), whichever is applicable.

4.8(3) Extraordinary duty. An employee who is temporarily assigned higher level duties, including supervisory duties, may be given additional pay in step or percent increments.

4.8(4) Effect on within grade increases. Temporary assignments shall not affect an employee's eligibility for within grade pay increases, and the additional pay amount shall be recalculated whenever a within grade pay increase is granted. The class to which the employee is temporarily

assigned shall be controlling for purposes of overtime, shift differential, standby and call back pay.

**Below are examples of special pay given to State employees:**

1. The Auditor's Office gives an additional special duty payment of approximately \$30 per pay period to all individuals who pass the CPA. This payment is made every pay period for one year. This is in acknowledgment that CPAs have many job opportunities outside state government.
2. Individuals at Public Defense are given Exceptional Job Performance payments if they have an exceptional job rating on their performance evaluations. These are given to equalize the pay between the state Public Defense employees and their federal counterparts in the same office. AFSCME was consulted on these payments and agreed to them. These payments are of varying amounts.
3. The Iowa Medical Correctional Center at Oakdale gave a \$15,000 retention payment to Dr. Harbans Deal, their medical director. The reason for this payment was to keep his salary competitive with his medical credentials. The State must retain qualified individuals to prevent the State from being subject to lawsuits from inmates for inadequate health care.

At the Department of Human Services in Mt. Pleasant, Dr. Devi Mikkilineni and Dr. Prasad Mikkilineni each received a \$18,368 retention payment. It is very difficult to recruit persons to work in this hazardous environment and there is a lack of supply of qualified candidates.

4. Because of the difficulty in recruiting nurses institutions typically start them at the top of the pay range, without recruitment and retention payments. However, in September of 2000, the Newton Correctional Facility did give 3 nurses \$1000 recruitment payments.
5. Pharmacists at the Iowa Veteran's Home receive a per pay period retention payment of approximately \$20,000 per year. For example, Ralph Croxdale receives \$785.42 per pay period, or \$20,420 annually. The State must have a registered pharmacist to maintain certification and prevent the loss of licensure.
6. Information Technology gives recruitment and retention payments of varying amounts to keep individual that have special skills. For example, in FY 02, IT gave 5 recruitment payments totaling \$21,354, and 8 retention payments totaling \$22,510. If these services were out-sourced, the typical hourly rate would be approximately \$160 per hour.

7. Relocation payments in FY 03

- James McKinney Department of Corrections \$13,500
- Brian Thompson Public Safety \$24,284
- Curtis Henderson Public Safety \$19,378
- Charles Tyler Public Safety \$19,004