

Policy & Procedure

Policy Name: Discretionary Bonus

Policy Number: 207

Purpose: The purpose of this policy is to establish the guidelines for awarding discretionary bonuses to employees at Arc Human Services and our subsidiary organizations in recognition of exceptional performance, contributions, or achievements that go beyond standard job expectations. This policy and the guidelines established are in alignment with the organization's compensation Policy (Policy 200 – Compensation Policy)

Policy:

1. Definitions:

- A discretionary bonus (including a holiday bonus) is a one-time payment made to employees at the sole discretion of the organization. It is awarded to recognize compliance with required standards, exceptional performance, significant contributions to the organization, or achievements that are beyond normal job duties and expectations.
- Discretionary bonuses are not guaranteed and are awarded on a case-by-case basis.

2. Eligibility Criteria:

- All full-time and part-time employees who have completed their probationary period and maintain continuous employment are eligible for consideration for a discretionary bonus.
- Employees must be in good standing, without any formal disciplinary actions, during the review period for which the bonus is being considered.
- Eligibility for a discretionary bonus does not imply entitlement; bonuses are awarded based on merit, availability of funds, and at the organization's discretion.
- An employee on leave status will be eligible to receive the bonus following their return to full duty and receipt of pay for hours worked after their return.
- Employees who have submitted a notice of separation before the date the bonus is paid, or are otherwise in a pending termination status, will not be eligible to receive the bonus payment.
- Eligible employees may be required to complete outstanding compliance, policy, or training requirements before receipt of the bonus payment.

3. Performance Considerations:

- Discretionary bonuses may be awarded to employees who demonstrate exceptional performance, including but not limited to outstanding achievement or significant contribution to a key project or initiative, consistent high performance, going above and beyond normal job responsibilities, and exceptional teamwork, leadership, innovation, or customer service.
- The criteria for awarding discretionary bonuses may vary depending on the organization's needs and objectives. The organization's executive leadership team will determine specific performance metrics or milestones for each bonus cycle.

4. Bonus Amount:

- The amount of a discretionary bonus will vary depending on the employee's performance, contribution, and the availability of funds.
- Bonus amounts are determined at the discretion of the executive leadership team and Human Resources and may be influenced by factors such as the organization's

Policy & Procedure

financial performance, budget considerations, board approval, and overall organizational objectives.

5. Approval Process:

- Supervisors or department managers may recommend employees for a discretionary bonus by submitting a written recommendation to the HR Department, including a justification for the bonus based on the employee's performance or contribution.
- The HR Department, in consultation with the executive management team, will review all bonus recommendations and make final decisions based on the established criteria and available budget.
- All discretionary bonus awards must be approved by the CEO or their designee **before** being communicated to the employee.

6. Payment of Bonus:

- Discretionary bonuses will be paid as a lump sum through the regular payroll process and will be subject to all applicable taxes and withholdings.

7. Communication:

- Employees will be notified in writing if they have been selected to receive a discretionary bonus, including the amount of the bonus and the reason for the award.
- The organization encourages transparency in its bonus process but reserves the right to maintain confidentiality regarding specific criteria, decisions, or amounts awarded.

8. Limitations:

- The awarding of a discretionary bonus does not constitute a change in the terms or conditions of employment and does not create any contractual rights or obligations.
- Discretionary bonuses are not considered part of an employee's regular wages or salary and do not affect other benefits or compensation.

9. Compliance:

- This policy complies with all applicable federal, state, and local laws. Any updates or changes to these laws will be incorporated into this policy as necessary.

10. Policy Review:

- This policy will be reviewed by the HR Department and updated as needed.

UPDATED September 1, 2024