

Office of Personnel Management

Policy

Policy Title: Merit Increase Pay	Policy Number: 20.14
Citation: Arkansas Code Annotated § 21-5-1101	Forms: None

Purpose

The Department of Finance and Administration is authorized to implement a merit increase pay system for all state employees excluding unclassified positions in institutions of higher education. Agencies and institutions must have their merit increase/performance evaluation plans reviewed and approved by the Office of Personnel Management (OPM).

Definitions

Merit Pay Increase System: A system which incorporates pay and performance evaluation standards according to Arkansas law and establishes criteria for lump sum payments for employees who meet requisite performance categories.

Merit Increase Eligibility Date: The date which an employee is eligible for a merit increase. An employee in continuous employment in a regular position for a period of at least twelve months prior to October 1, 2007, has a merit increase eligibility date of October 1st. Those employees hired on or after October 1, 2006, will have their merit increase eligibility date established one year from their date of hire. Other personnel actions (promotion, transfer) will not change an employee's merit increase eligibility date.

Specific Provisions

Employee performance evaluations are conducted after twelve (12) months of continuous employment in a regular full-time position. A part-time employee in a regular position is also eligible for a performance evaluation after twelve (12) months and will receive any merit pay awarded on a pro-rata basis.

Employee merit increases, awarded under an approved performance evaluation system, shall be:

Performance Rating	Percentage Increase
Unsatisfactory	0 %
Satisfactory	1.5%
Above Average	3.0%
Exceeds Standards	4.5%

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The Chief Fiscal Officer (CFO) of the State determines whether general revenue funds are sufficient to implement the authorized merit increase. The CFO, upon approval of the Governor, may reduce the percentage of all authorized merit increases for all state employees without regard to whether the employees are compensated by general or special revenues, federal funds, or trust funds.

If sufficient funds revenues should become available at any time during the fiscal year to provide the merit increase for all state employees without regard to source of revenues, merit increases for state employees may then be fully or partially implemented by the CFO of the State.

Employees in positions assigned to the career service pay plan shall be eligible for a merit payment increase to be paid in a lump sum on the employee's merit increase date, and the payment shall not be construed as exceeding maximum salary.

Employees in positions assigned to the professional and executive pay plan shall be eligible for a merit increase, but the increase shall be paid as a lump sum on the last pay period of the fiscal year of the year the merit increase was awarded, and the payment shall not be constructed as exceeding maximum salary. An employee must be in active pay status during the last pay period of the fiscal year to receive their lump sum merit payment.

Non-classified employees in positions with maximum annual salary rates set out in dollars established by law shall be eligible to receive a merit increase but the increase shall be paid in a lump sum on the last pay period of the fiscal year in which the increase occur, and the payment shall not be construed as exceeding maximum salary.

Lump sum merit payments are considered salary for the purposes of retirement eligibility.

Employees on extended leave will receive their merit increase on their merit increase eligibility date if they are in active pay status. Employees not in active pay status will receive their merit increase upon their return to active pay status.

Supervisors of employees on extended military leave without pay will use the employee's most recent performance evaluation score to determine the amount of the merit increase. The increase will be awarded to the military member when they return to active pay status.

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Employees who receive a written performance-based or disciplinary reprimand during the twelve (12) month rating period are not eligible for a merit increase. The employee's performance evaluation and date of merit increase eligibility remain October 1st or the latest hire date, whichever is applicable.

Management or supervisory personnel who fail to complete annual evaluations of employees under their administrative control will not be eligible for a merit payment.

May 16, 2011