



## **PERFORMANCE-BASED REMUNERATION GUIDELINES**

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### **APPLICATION**

These Guidelines apply to all staff excluding casuals and staff members whose remuneration is determined by the Senior Remuneration Committee.

### **OVERVIEW**

These guidelines reflect the current endorsed practice of the University of South Australia. The guidelines relate to 'one-off' payments that are made to staff in accordance with a documented performance-based remuneration arrangement.

### **OBJECTIVES**

The University remains cognisant of community perception in the development and application of performance-based remuneration arrangements. The objectives of these guidelines are to:

- Provide managers with the flexibility to attract and retain key staff through a performance-based remuneration arrangement, where the impact of taking no action will detrimentally and significantly impact on the achievement of key strategic outcomes.
- Provide a framework to ensure consistency and transparency of rationale, supporting processes and outcomes.

### **GUIDING PRINCIPLES**

The University is a diverse organisation both in function and also economic base. The University must respond to, and be flexible enough to support, the diversity of competitive markets within which it operates. The broad principles embodied within these guidelines are as follows:

- Managers must provide a business case to support the performance-based remuneration arrangement. The business case must demonstrate why the performance-based remuneration arrangement is required, the amount or percentage of payment to be awarded, the performance period/cycle and the impact to the local area and/or University once the performance outcomes are achieved. The performance agreement documentation may also be attached.
- Participation in a performance-based remuneration payment sits outside of a staff member's conditions of employment and the relevant industrial instrument.
- Key performance indicators and measures must be established and agreed upon at the commencement of the performance period/cycle. The performance agreement document will be available for review to substantiate any payment.
- Performance-based remuneration payments will be made where performance is demonstrated to be greater than satisfactory performance by the staff member.
- Consideration should be given to corporate objectives, local area and role specific objectives that are above and beyond the normal expectations of the position in the creation of key performance indicators. Specific and targeted outcomes will either be short term in nature or within a performance cycle.
- The University acknowledges that performance is not one-dimensional and that a broad view of outstanding performance must be considered when applying measures against key performance indicators. This must recognise that measures may be both qualitative and quantitative.
- Performance-based remuneration payments will be non-recurrent and payable based on performance achievements within a pre-specified performance period/cycle.
- Prior to any offers being made, a business case, including agreed performance indicators and measures, must be developed by the staff member's manager and:
  - supported by the cost centre manager (where that person is not an SMG member, or
  - supported by the relevant Senior Management Group member, and
  - approved by the Director: Human Resources.
- Performance-based remuneration payments will be no greater than 20% of the base salary under the applicable industrial instrument.

## **LINKS TO PERFORMANCE MANAGEMENT**

These guidelines support the principles of the University's performance management scheme, as outlined in the Performance Management Policy and procedures.

A performance-based remuneration arrangement must be linked to the performance management process, as part of the annual performance cycle.

When entering into a performance-based remuneration arrangement, the direct line manager, in consultation with the staff member will develop clear key performance indicators/outcomes that are specifically linked to the performance-based remuneration arrangement. These outcomes will be distinguishable from the agreed objectives contained in the staff member's normal performance plan however both need to be considered in the process.

Performance management discussions must be documented to demonstrate achievement of greater than 'satisfactory performance' by the staff member, to support a performance-based remuneration payment.

A staff member will not be entitled to payment under a performance-based remuneration arrangement where performance is equal to or less than satisfactory. Less than satisfactory performance may be addressed through a performance improvement plan (refer to the performance management guidelines).

The decision whether to enter into a subsequent performance-based remuneration arrangement will be based on a new set of key performance indicators/outcomes linked to the next performance management cycle.

## **FUNDING**

Performance-based remuneration payments will ideally be self-funded, in that the cost of the performance payment should be generated indirectly or directly through achievement of pre-agreed key performance indicators. Whilst not all key performance indicators are easily measurable, quantitative measures are to be implemented wherever possible.

Funding of performance-based remuneration will normally be negotiated at the local level and will be funded from the local cost centre.

## **PRIOR TO MAKING AN OFFER**

- Consider whether other methods of remuneration to attract, retain and motivate staff, such as market allowances or activities under the Activities Policy, would be more appropriate options.
- Consider and establish key performance indicators and measures and the period of the performance cycle.
- Seek wider advice and counsel from sources internal and external to the University, i.e. the central HR Unit or local HR representative, to test the rationale and amount of the proposed payment. This will ensure that the payment is consistent and equitable.
- Investigate and evaluate the risk of any possible flow-on effects within the local area and the University in implementing a performance-based remuneration arrangement.

### Approvals

Prior to an offer being made to a staff member for a performance-based remuneration arrangement, a business case, including agreed performance indicators and measures, must be developed by the staff member's manager and:

- supported by the cost centre manager (where that person is not an SMG member); or
- supported by the relevant Senior Management Group member, and
- approved by the Director: Human Resources.

Any payment made for the achievement of pre-agreed objectives as agreed during the performance management cycle and in accordance with these guidelines must be:

- documented by the staff member's Manager, and
- supported by the relevant Senior Management Group member.

## **FURTHER INFORMATION**

- Performance-based remuneration payments may be paid in addition to other University approved incentives, e.g. market allowances.
- Payment of performance-based remuneration arrangements will be made through the University's Payroll system.
- Please refer to the Performance-based Remuneration Administrative Procedure – Attachment 1.
- Performance-based remuneration payments will attract a University superannuation contribution, which will differ depending on the staff member's superannuation fund. Further information is available from the University's Superannuation Officer.

### Salary Sacrifice

Performance-based remuneration payments may be salary sacrificed into the staff member's superannuation fund. A Salary Sacrifice Agreement (SSA) should be completed and lodged with the University's Superannuation Officer at the commencement of the performance cycle.

It is the responsibility of the staff member to contact the University's Superannuation Officer to obtain a SSA and, prior to payment being made, confirm salary sacrifice arrangements.

## **REPORTING**

The Director: Human Resources will provide SMG with an annual report of performance-based remuneration payments.

## **RESPONSIBILITIES AND/OR AUTHORITIES**

Responsibility for the application of these guidelines rests with the direct line manager and relevant Senior Management Group member.

Business cases for any performance-based remuneration arrangement must be approved by the Director: Human Resources, in accordance with the Vice Chancellors Authorisations.

The Vice Chancellor, on the recommendation of the Director: Human Resources, may approve a variance to the application of these guidelines.

## **CROSS REFERENCES**

- Applicable industrial instrument
- Vice Chancellor's Authorisations
- Remuneration and Reward Policy

## **FURTHER ASSISTANCE**

Managers and staff may seek further advice from the local HR representative or the Remuneration Team in the central HR Unit.

Reviewed: March 2008

Updated: August 2009

## Attachment 1

### Performance-based Remuneration Administrative Procedures

**Please note that approval for all performance-based remuneration arrangements must be in place at the beginning of the performance cycle, i.e. these payments are not intended to be retrospective “bonus” payments.**

- 1 The business case is developed by the Cost Centre Manager, in conjunction with the local HR representative. The HR Services team in the central HR Unit can provide assistance with writing the business case and the Remuneration team can be consulted for remuneration advice.
- 2 The local HR representative forwards the business case to the relevant Senior Management Group (SMG) member for endorsement.
- 3 Once endorsed by the SMG member, the local HR representative forwards the business case and any supporting documentation to the Director: Human Resources for approval.
- 4 The Director: Human Resources informs the relevant SMG member, Cost Centre Manager and local HR representative of the outcome (approval or non-approval).
- 5 Where approved, the local HR representative prepares a letter to the staff member advising the terms of the approved performance-based remuneration arrangement, including the agreed performance indicators and measures. The correspondence is placed on the staff member’s personnel file.
- 6 The local HR representative consults with the staff member regarding their preference for salary sacrificing into their superannuation fund. A Salary Sacrifice Agreement (SSA) should be completed and lodged with the University’s Superannuation Officer at the commencement of the performance agreement.
- 7 Following performance discussions between the manager and the staff member, the manager assesses the staff member’s actual performance against the agreed objectives and documents the assessment and the quantum of the performance payment. Where a payment is warranted, the documented achievements and a completed [HRIS 017](#) form are forwarded to the relevant SMG member for authorisation of the payment. The documented achievements are to be placed on the staff member’s personnel file.
- 8 The local HR representative forwards the signed HRIS 017 form, along with the original approval email from the Director: HR, to Payroll Services for processing of the payment.
- 9 The Director: Human Resources will provide SMG with an annual report of all performance-based remuneration payments.