

# Employee Retention Plan Policy



## **1. Purpose**

[Company Name], in recognition of the added value longer-service employees bring to its capabilities and add to its complement of skills, has implemented a Bonus Retention Program under the terms of this policy.

## **2. Overview**

The [Company Name] retention bonus policy operates on a fiscal year basis. At the commencement of each fiscal year, [Company Name] makes a determination as to the level of retention bonus to be paid to eligible employees who are in active status at the beginning and the close of the fiscal year. Thus, amounts may vary from year to year depending on the profitability of [Company Name]. Bonuses will be paid during the first pay period following the completion of the fiscal year.

## **3. Eligibility**

Employees eligible for bonuses are those who a) complete the entire annual cycle stated above, b) incur no written warning(s) during the period, c) achieve a "Satisfactory" or above on their performance appraisal for the period, and d) meet weekly productive hour standards.

Part-time employees who regularly work 20 or more hours per week are also eligible to participate under this policy, but bonuses paid to such employees will be prorated as stated below:

- Full-time employees\* (1896 hours): 100 percent
- Part-time employees, at 30 hours per week\* (1422): 75 percent
- Part-time employees, at 20 hours per week\* (948): 50 percent

*\*Minimum weekly productive hour standards per category*

Temporary, casual and nonregularly scheduled, on-call employees, regardless of the number of hours worked, are not eligible to participate.

#### **4. Procedures**

Each eligible employee who meets the above standards will be paid a bonus award as noted below:

- Full-time employees, at 40 hours: \$2,500
- Part-time employees, at 30 hours: \$1,875
- Part-time employees, at 20 hours: \$1,250

No pro rata retention bonuses are paid for employees who fail to meet all the standards in full.

#### **5. Tax Considerations**

Retention bonuses are taxable income to the employee and must be added to the employee's compensation in the year in which they are awarded. In view of this, the company, as an additional retention incentive, will provide a "gross up" to employee income by paying the taxes for retention bonuses so that employees will receive the annual amount indicated above "net of taxes."