

DEPARTMENT OF INDUSTRIAL RELATIONS

DIVISION OF LABOR STANDARDS ENFORCEMENT

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ADDRESS REPLY TO:
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June 3, 1987

IN REPLY REFER TO:

Richard S. Rosenberg, Esq.
Attorney at Law
Ballard, Rosenberg & Golper
1900 Avenue of the Stars, Suite 2300
Los Angeles, CA 90067

Dear Mr. Rosenberg:

This is in reply to your letter of April 20, 1987,
concerning employee bonus plans.

The answers to the questions set forth in your letter are as
follows:

1. A bonus plan may provide payments to be made only to those plan participants who are actively employed on a bonus payment date. However, there are always questions of substantial performance and questions relating to the services required to earn the bonus. The Division accepts on a case-by-case basis claims for bonus, or a partial bonus, on the basis of substantial performance when termination takes place before the bonus is paid out. Each case is analyzed on its own facts to determine if a bonus or partial bonus is appropriate.
2. The cause of termination may be a factor even though the main question is whether the employee earned the bonus or a portion of it. There are situations where the employee terminates a relationship when he/she may have good cause for resigning or when there are factors beyond his/her control which may affect his/her eligibility for the bonus.

I am aware that the above answers are not definitive; however, as bonus plans have so many variables as to qualifying performance and how amounts are calculated, I can only give you answers in general terms. It is our policy to look at disputed claims for bonuses on a case-by-case basis; each claim must be reviewed on its merits.

Very truly yours,

Lloyd W. Aubry, Jr.
State Labor Commissioner

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