



FAQs: Performance Sharing Plan (PSP) and “Thank You” Bonus

When the Alliance unions learned our PSP bonuses could be significantly reduced from last year, we pushed KP leaders for the highest possible payout. The Alliance contract guarantees PSP payout based on performance even if KP doesn't meet its financial targets. However, payouts are much lower when the regional financial target (also called “gate”) is not met. When we learned that many regions might not make the financial gate for 2021, we proposed to KP that they provide a full PSP payout in light of special COVID conditions last year.

Although final results are still pending, we've estimated that most regions are entitled to a contractual payout between \$400 and \$800.

Initially, KP responded to our proposal with a proposed “thank you” bonus of up to \$1000 (\$750 for those coded less than 32 hours). After discussion, KP agreed to increase the “thank you” bonus to \$1500/\$1000, which was a significant improvement. Our representation produced an important improvement for our members.

KP's minimum guaranteed payout through the “thank you bonus” is one step closer to honoring the spirit of PSP. This is a significant increase for most members from this year's estimated PSP payout and from KP's initial \$1000/\$750 proposal. In situations where a contractual payout would be higher, our members will still receive the higher payout.

We know many of you have questions. Please review the list of frequently asked questions below.

1. What's the difference between the PSP payout and the “thank you” bonus?

The PSP payout is a bonus KP is contractually obligated to pay as part of our Alliance national agreement. The Alliance PSP is intended to recognize that we, as union members, have a greater opportunity to impact organizational performance and in turn, we should have a greater opportunity to share in performance gains. For regions that meet their financial gate, Alliance members receive a full contractual payout for performance toward agreed-upon goals. It's not guaranteed. Although many regions consistently receive PSP, it is a bonus based on our performance on agreed-upon goals and on KP's financial success.

The “thank you” bonus is a one-time discretionary bonus provided by KP in recognition of employee contributions in this past challenging year and in response to union proposals. It is not guaranteed by contract. We recognize and appreciate that KP responded to our proposal by offering this additional bonus above and beyond what is contractually provided.

2. Who is eligible for the Alliance Performance Sharing Program (PSP)?

All Alliance-represented employees are eligible for the Alliance PSP bonus. This includes full-time, part-time, short-hour, casual, on-call and per diem employees.

To be eligible, staff must have been 1) hired by October 2, 2021 (September 27 in SCAL), and 2) still employed by KP on December 31, 2021, unless they retired during 2021.

In other words, someone hired after October 2, 2021 (September 27 in SCAL), is not eligible.

Generally, per the national agreement, employees must still be active employees as of December 31 to receive a PSP payout. However, employees who retired in 2021 will get a prorated PSP payment. Employees who were fired, laid off, or who quit during 2021 will not get a payment.

These rules have been in effect for many years, and did not change this year.

3. Who is eligible for the “thank you” bonus?

All Alliance members who are eligible for the PSP bonus are also eligible to receive a “thank you” bonus based on their coded hours, as designated in HRconnect on December 31, 2021:

- Eligible employees with 32 or more coded hours will receive a maximum of \$1,500 (PSP and “thank you” bonuses combined)
- Eligible employees with less than 32 coded hours will receive a maximum of \$1,000 (PSP and “thank you” bonuses combined)

4. What happens if my region doesn’t meet its financial gate?

As a result of our 2018 contract negotiations, the Alliance has strong contract language that guarantees a PSP payout based on our performance even if KP doesn’t meet its financial gate. Prior to the Alliance 2018 contract, there were times when some regions did not receive any PSP payout because KP missed its financial gate. Before 2018, financially struggling regions sometimes went several years with no PSP payouts. Under the Alliance agreement, in the event that your region doesn’t meet its financial gate, the PSP will be up to \$1,000 for eligible employees. Two hundred dollars (\$200) is payable for each of the five (5) goals achieving target or better performance and will be paid out in accordance with plan rules. These amounts are prorated based on hours. The five PSP goals are quality, affordability, service, workplace safety, and attendance.

5. I’m a full-time Alliance-represented employee; how will I receive my bonus(es) this year?

If KP says your region did not meet its financial gate, you will receive your bonuses in two (2) paychecks. You will receive your contractual PSP payout bonus in your first March paycheck, and the “thank you” bonus in your second March paycheck, listed as a “Special Bonus.” (Exact pay dates vary by region.)

For example, say your region did not meet the financial gate but did meet the target for 3 out of the 5 PSP goals, full-time employees would get \$600 (\$200 for each target goal) on your first March paycheck. Additionally, you will get a “thank you” bonus of \$900 in recognition of your hard work this past year on the next check. The maximum amount for the combined bonuses for Alliance members is \$1,500. **Sample payouts:**

$$\begin{array}{ccc} \mathbf{\$600} & \mathbf{+} & \mathbf{\$900} & \mathbf{=} & \mathbf{\$1500} \\ \mathbf{PSP} & & \mathbf{"THANK YOU"} & & \mathbf{COMBINED} \\ \mathbf{CONTRACTUAL} & & \mathbf{BONUS} & & \mathbf{BONUSES} \\ \mathbf{PAYOUT} & & & & \end{array}$$

The above is a sample illustration of payouts for a region that met three of the five PSP goals at target or higher. Note that this is just an example, actual amounts will vary depending on PSP performance and employee hours.

6. How will part-time and per diem Alliance members receive their bonus(es)?

The national agreement guarantees that Alliance members who are part-time, short-hour, casual, on-call and per diem employees are eligible for PSP. Employees eligible for PSP will also be eligible for the “thank you” bonus.

Similar to workers coded 32 hours and above, these employees will first receive the amount guaranteed under the contractual PSP formula. On the next payroll, the remaining amount will be paid under the “thank you” bonus. Eligibility for the “thank you” bonus is based on PSP eligibility - meaning that per diems, and others eligible for PSP, will also be eligible for the “thank you” bonus.

For example, a 24-hour employee who receives \$400 under the contractual PSP formula, would receive \$600 under the “thank you” bonus, for a total of \$1,000.

7. I heard Northern California was the only region to have met its financial gate. Is this true, and if so, what does this mean for me?

Generally, KP has reported that only NCAL met the financial gate in 2021, which triggers a full PSP payout – a higher PSP payout – than the rest of the regions. At this point in time, we have not received verification of financial gate results for all regions, and once received we will be carefully reviewing this information.

8. I have heard many Alliance members will get two bonus payments this year, while others will get their bonus on one check.

The language guaranteeing a PSP payout even when the financial gate is not met is part of the Alliance contract, and not part of other contracts. Other unions do not have the same language in their contracts, and are not guaranteed a payout when the financial gate is not met. This explains why some KP employees (not represented by the Alliance) will only receive one bonus, the “thank you” bonus, on the second March check, while some Alliance members will receive two checks.

Because of the “thank you” bonus this year, total payments will be the same across all employee groups in all regions. In the spirit of labor solidarity and in recognition that all employees have struggled together through the pandemic, we support KP’s decision to extend the “thank you” bonus to everyone.

All KP employees, union and non-represented, are covered by the “thank you” bonus of \$1500/\$1000 this year, and with the same 32 coded hour cutoff. In most cases, the total amount paid to members of the Alliance will end up being the same as that paid to comparable members of other union and non-union employees. The only difference is that because part of our payment is contractually guaranteed, that will be paid first, and the rest will be paid on the second check. From what we understand, employees not represented by the Alliance will only get the second check in most regions. The total amount should generally be the same for all union and non-union employees.

10. PSP is based on compensated hours whereas the “thank you” bonus is based on coded status as of December 31. What is the difference?

The pro-ration of the PSP is defined in the national agreement, and has always been based on actual compensated (paid) hours in the calendar year. Employees with 1800 or more compensated hours in the calendar are eligible for a full bonus, whereas those with less than 1800 actual hours are pro-rated. (There are some special calculation methods used, for example, for the SCAL Attendance goal.)

The “thank you” bonus is calculated differently. In establishing this year’s “thank you” bonus, KP decided to establish a standard definition across all employees in all unions (and non-union employees), using coded hours status as of December 31. Thus employees coded 32 hours or more are eligible for \$1500, and those with less than 32 hours coded status are eligible for \$1000. Some communications have referred to this as “full-time” and “part-time” but that’s not accurate. Those coded at 32 hours and above are eligible for \$1500, regardless of whether that

qualifies as “full-time” in their local contract. Also, per diem employees eligible for PSP are eligible for the “thank you” bonus, even though of course per diem employees are not “part-time”.

There are pros and cons to both methods - coded hours and actual hours. For example using actual hours (as in the PSP) benefits those who have worked above coded status, but reduces those who because they started mid-year or had an unpaid leave of absence during the year ended up being compensated for less than the full 1800 hours. The coded hour method would, for example, benefit someone who started in July 2021 in a 32-hour position, who otherwise wouldn't have earned that many hours in the year. For many employees, the two methods produce the same outcome. Actual hours are used for PSP because that's what we bargained for in our contract. For the “thank you” bonus - which is not required by contract - KP decided to apply a different method - which is also in effect for all other unions.

11. What if my coded hours are wrong in HR Connect?

This could affect your “thank you” bonus amount. There have been many problems with HR Connect. This is unacceptable and very disappointing. The Alliance, and all of its member unions, have been working hard on this issue for many months. Although we have developed an escalation process which has resolved many errors, there are still far too many problems with the system. Fixing this continues to be a major priority for all of the Alliance unions.

If your coded status is wrong in HR Connect, you should first address this in the same way you should address any other error. Open a case on HR Connect reporting the error. You will be issued a case number, and when the case is resolved you will get a response. If you don't get a satisfactory response, employees should escalate the case to their local HR. If that is unsuccessful, your local union can refer the issue to the Alliance.

12. What can we do to ensure the best possible PSP payout next year?

PSP goals for 2022 are bargained in each region, and your union works hard to bargain reasonable and attainable goals focused on important shared priorities. Then during the year, we work hard to meet those goals. Since PSP is also affected by KP's financial performance, it is important that we all work together to ensure KP's success.

13. Are all Alliance bargaining units covered by PSP?

Some of the newly organized bargaining units, including NCAL Therapists and Hawaii Therapists and Pharmacists, are not covered by the PSP yet. They will be transitioning to the Alliance PSP in 2023. In the meantime, these bargaining units remain in their R4R bonus program. If the rules of the R4R program provide more than the “thank you” bonus, they will receive the higher amount. If the R4R provides less than \$1500/\$1000, they will receive the “thank you” bonus to bring them up to \$1500/\$1000 on the same basis as everyone else.

We hope to have answered most of your questions. If you have questions or concerns, please reach out to your local union for more information.