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| Approved by: Juan Williams, Commissioner | Policy Number: 12-002 (Rev. 09/2021) |
| Signature:  | Supersedes: 12-001; 12-002; 12-002 |
| Application: Executive Branch Agencies and Employees, Agency Human Resource and Budget Officers | Effective Date: February 16, 2014 |
| Authority: T.C.A. § 4-3-1703, T.C.A. § 8-30-104, T.C.A. § 8-30-207 | Rule: Chapter 1120-04 |

Executive Service Compensation

The Commissioner of the Department of Human Resources (hereinafter "Commissioner or DOHR) prepares and maintains a comprehensive compensation plan and has ultimate authority over statewide compensation policy.

However, when making employment and promotion decisions, an appointing authority is given flexibility in recommending equitable salary rates. When making salary recommendations, an appointing authority shall ensure budget integrity, as well as internal agency equity consistent with equal opportunity principles and applicable laws.

The Department of Human Resources determines salary rates for various human resources actions using the criteria outlined herein, except during periods of budgetary constraints, as determined by the Department of Finance & Administration and the Department of Human Resources. In addition, a budget constraint involving a funding source may, as determined by the Department, affect all similar human resources actions in the same manner, regardless of the funding source.

Approval Process

When an agency desires to appoint, promote, transfer or demote an executive service employee, a request shall be forwarded to the Commissioner for approval. When an agency desires to appoint, promote, transfer or demote an executive service employee to a deputy commissioner, assistant commissioner, general counsel, lead legislative director or liaison, communications director or public information officer (PIO), or equivalent, the request must be approved by the Commissioner and the Governor's office. An appointing authority should consider the following when requesting salaries for executive service employees: internal salary equity; agency budget and financial issues; business needs; duties and responsibilities; training and education; related certificates or licensures; total related work experience; knowledge, skills, abilities and competencies; and other relevant criteria.

Pursuant to Department of Human Resources Rule 1120-04-.03, the minimum rate of pay in the applicable salary range represents the typical entry rate payable to a person on first appointment to a position in a

classification. However, the Commissioner may authorize appointments above the range minimum, when experience in recruiting and retaining employees for the classification or prevailing salary market data indicate persons are not available at lower rates or when appointing persons exceptionally qualified for the position, including reappointments.

Requests for exceptions to the parameters outlined below will be reviewed by the Commissioner and/or the Commissioner's designee, with particular attention given to salary equity across the state in the job classification, scope of responsibilities and span of control; total percentage of increase for promotions; existing state or departmental budget restrictions and/or financial management plans; and other relevant criteria as determined by the Commissioner. The Department of Human Resources has final approval based on statewide internal equity. Employees in the executive service must be paid at least the minimum salary for the range of the job classification and shall not be paid above the maximum of that same range. To determine if an employee is moving to a higher or lower salary grade, DOHR shall consider the midpoint of each salary range.

Appointments Above the Midpoint of the Salary Range

Each executive service job classification has an 80% range from the minimum to the maximum rate of the assigned salary range. In accordance with the parameters set forth above, an appointing authority may request a salary up to the midpoint of the pay range. Midpoint of the range represents the market salary for a classification. If a salary recommendation exceeds the midpoint, additional justification is required based on knowledge, skills, abilities, and/or competencies critical to the position. In addition, justification should include the employee's relevant education, and experience, with particular attention to the salary equity across the job classification.

Promotions

A promotion is the change of an employee to a position in a classification at a higher salary grade. An appointing authority may request a salary increase up to fifteen percent (15%) for employees moving to a position in a classification with a higher midpoint. At minimum, justification should include the employee's relevant education and experience. Employees who require more than a fifteen percent (15%) increase to reach the minimum salary of the new pay grade must receive an increase to obtain the new minimum salary.

Transfers and Lateral Reclassifications

A transfer is a change from one position in a classification to another position in the same classification. An employee who receives a transfer will not receive a change in salary.

A lateral reclassification is a change from a position in one classification to a position in another classification with the same salary grade. An employee who receives a lateral reclassification will not typically receive additional compensation. However, an appointing authority may request an increase of up to ten percent (10%) for an employee who receives a lateral reclassification if the job responsibilities in the new job classification constitute a change in the employee's career path. Justification should include

the employee's knowledge, skills, abilities, and/or competencies related to the employee's new job assignment. An employee who receives a job reclassification that results in a change in pay plans may receive a salary adjustment.

Demotions

A demotion is the disciplinary change of an employee to a position in a classification at a lower salary grade for causes related to performance of duties or conduct which affects an employee's ability to successfully fulfill the requirements of the job. To determine if an employee is moving to a lower salary grade, DOHR shall consider the midpoint of each salary range. An appointing authority shall provide DOHR with written justification for all demotions.

An employee who is demoted will receive a salary reduction of at least five percent (5%). If the new pay rate is above the range maximum, the employee's salary shall then be reduced to a rate at or below the new range maximum. In no instance can the reduction be less than the minimum of the new range.

For the good of the service, an appointing authority may request a job-related exception. When considering whether to approve such request, DOHR considers the following: salary equity issues, the complexity of the position to which the employee would be demoted when compared to the former higher level position held by the employee, the length of time since the employee was demoted (with greater consideration given to a demotion that occurred after the employee served five (5) or more years in their current job classification), and/or other job related issues as determined by the Department.

An employee who is demoted and receives a decrease in pay may be eligible to receive an increase when promoted. However, an employee who received a decrease of less than five percent (5%) in pay and is subsequently promoted to a position with the same salary grade they were demoted from, may only receive an increase equal to the percent his or her salary was decreased.

Voluntary Reduction in Rank

A voluntary reduction in rank is the change of an employee to a position in a classification at a lower salary grade based on an employee's request and the concurrence of the appointing authority. A voluntary reduction in rank is not considered a disciplinary action. To determine if an employee is moving to a lower salary grade, DOHR shall consider the midpoint of each salary range. An appointing authority shall provide DOHR with written justification for all voluntary reductions in rank.

An employee who is voluntarily reduced in rank will receive a salary reduction of at least five percent (5%). If the new pay rate is above the range maximum, the employee's salary shall then be reduced to a rate at or below the new range maximum. In no instance can the reduction be less than the minimum of the new range.

For the good of the service, an appointing authority may request a job-related exception. When considering whether to approve such request, DOHR considers the following: salary equity issues, the complexity of the position to which the employee would be reduced in rank when compared to the former higher level position held by the employee, the length of time since the employee was voluntarily reduced in rank (with greater consideration given to situations that occurred after the employee served five (5) or more years in their current job classification), and/or other job related issues as determined by the Department.

An employee who is voluntarily reduced in rank and receives a decrease in pay may be eligible to receive an increase when promoted. However, an employee who received a decrease of less than five percent (5%) in pay and is subsequently promoted to a position with the same salary grade they were voluntarily reduced in rank from, may only receive an increase equal to the percent his or her salary was decreased.

An employee who did not receive a reduction in pay may not receive an increase in pay when promoted until promoted to a job classification with a higher salary range midpoint than the midpoint from which the employee was reduced originally. If an employee is promoted to a job classification with a higher midpoint than the midpoint from which they were originally reduced, an appointing authority may request an increase based on the employee's knowledge, skills, abilities, and/or competencies related to the employee's new job assignment. The new amount shall not exceed the maximum salary rate of the new job classification.

An employee receiving a voluntary reduction in rank must sign and date an awareness statement. See sample awareness statements below. A copy of the signed awareness statement should be submitted with the electronic personnel action form (ePAF) to the Agency Resource Center (ARC). It is recommended that the original, or a copy, of the signed awareness statement be maintained in the employee's personnel file within the agency's Human Resource Office. Digital signatures are acceptable.

Salary Adjustments

The requesting agency shall submit written justification approved by the requesting agency's appointing authority to DOHR explaining why a salary adjustment for an employee is warranted. DOHR has discretion to approve or deny requests submitted in accordance with this policy for any reason, including, but not limited to, budget considerations. If additional information is required, the requesting agency must provide the information in order for DOHR to issue a determination.

The agency's appointing authority, and when applicable, the agency chief budget officer or the Finance and Administration Budget Office must approve the request certifying the requesting agency's ability to fund the requested proposed salary adjustment.

Listed below are four types of salary adjustments. DOHR reserves the right to approve other salary adjustments based on the good of the service, subject to funding approval.

I. Salary Equity Adjustment

An appointing authority may request an equity up to ten percent (10%) above the current base salary. Equity adjustments may be granted to lessen the severity of existing salary inequities between employees in the same job classification. In these situations, particular attention will be given to employees within the same work unit and agency. Equity adjustments may also be granted to an employee who is permanently assigned additional responsibilities that are more complex than those typically performed by the employee's current classification. Information detailing both the employee's former job duties and new job duties must be included in the formal request.

The effective date of the approval will be the first day of the defined work week after the request is submitted to the Agency Resource Center. Only under special circumstances, an exception to an effective

date may be considered at DOHR discretion. Requests for equity adjustments to apply retroactively are limited to sixty (60) days or four (4) pay periods, whichever is less. An employee may only receive one equity salary adjustment within a twelve (12) month period. Salary equity adjustments may not increase an employee's salary over the range maximum of their current classification.

II. Assignment Differential Adjustment

An appointing authority may assign to an executive service employee, additional job duties, including such duties performed by an employee in a higher-level job classification when such assignment is for the good of the service. Subject to funding, nothing in this policy will be interpreted to prevent executive service employees from being compensated for performing the duties of a higher-level classification while serving in an acting capacity.

An assignment differential up to ten percent (10%) may be requested for an executive service employee who is temporarily assigned additional responsibilities that are more complex than the employee's current job classification. Information detailing both the employee's current job responsibilities and additional job responsibilities must be included in the formal request. When the additional responsibilities are no longer being performed, the salary adjustment will be removed. The employee must sign an awareness statement acknowledging that this adjustment is temporary.¹

A copy of the signed awareness statement should be submitted with the electronic personnel action form (ePAF) to the Agency Resource Center (ARC), in addition to the Assignment Differential request form. It is recommended that the original, or a copy, of the signed awareness statement be maintained in the employee's personnel file within the agency's Human Resource Office. Digital signatures are acceptable.

The effective date of the approval will be the first day of the defined work week after the request is submitted to the Agency Resource Center. Only under special circumstances, an exception to an effective date may be considered at DOHR discretion. Requests for assignment differentials to apply retroactively are limited to sixty (60) days or four (4) pay periods, whichever is less.

Assignment differentials should be reviewed by the agency on an annual basis to determine whether continuation is necessary and applicable.

III. College Degree Adjustment

An appointing authority may request a five percent (5%) salary increase when an employee obtains a college degree from an accredited college or university after the date of hire, if the employee's major or minor is related and/or enhances the employee's current job responsibilities. The appointing authority must submit a request to DOHR including:

1. An official transcript or copy of the diploma showing the employee obtained a degree and the date obtained; and

¹ See Enclosure.

2. College Degree Increase Request form that includes justification explaining how the degree relates to or enhances the employee's current job classification.

DOHR has discretion whether the degree is related to the employee's current job classification. The effective date of the approval will be the first day of the defined work week after the request is submitted to the ARC.

IV. Preferred to Executive Status Change

An employee who moves from the preferred service to the executive service may receive up to a ten percent (10%) salary adjustment.

The agency must ensure that all current budgetary obligations are fulfilled according to all relevant State policies and procedures. Questions regarding this policy should be directed to the Agency Resource Center (ARC).

Sample Awareness Statements

Voluntary Reduction in Rank with no Salary Reduction

I, [Employee Name], understand that I have accepted a voluntary reduction in rank from [Classification A] to [Classification B] in which my salary was not reduced. I further understand and accept that, because my salary was not reduced as a result of this action, my salary may not be increased when I receive a promotion at any later date until such time as I promote to a classification with a higher salary range midpoint than that of the classification from which I am being reduced in rank.

Employee Name and Date

Voluntary Reduction in Rank with Salary Reduction

I, [Employee Name], understand that I have accepted a voluntary reduction in rank from [Classification A] to [Classification B] in which my salary was reduced by \$XXX/X% month. I further understand and accept that, as a result of this action, my salary may not be increased when I receive a promotion at any later date by greater than \$XXX/X% month until such time as I promote to a classification with a higher salary range midpoint than that of the classification from which I am being reduced in rank.

Employee Name and Date

Assignment Differential

I, [Employee Name], acknowledge that a request for a temporary salary adjustment in the form of an assignment differential is being requested with an effective date of _____ in the dollar amount/percentage of _____.

I further acknowledge this temporary salary adjustment must be removed when I stop performing the duties associated with this assignment differential.

Employee Name and Date