




Approved by: Juan Williams, Commissioner	Policy Number: 22-001 (rev. 07/01/2023)
Signature: 	Supersedes: 12-029, 12-002
Application: Executive Branch Agencies and Employees, Human Resource Officers	Effective Date: March 31, 2022
Authority: T.C.A. § 4-3-1703, T.C.A. § 8-30-104, T.C.A. § 8-30-207, T.C.A. § 8-30-209	Rule: Chapter 1120-01, 1120-02 and 1120-04

State Service Compensation

The Commissioner of the Department of Human Resources (Commissioner) (DOHR) prepares and maintains a comprehensive compensation plan and has ultimate authority over statewide compensation policy. This policy provides an overview of the objectives and guiding principles for administering the State’s compensation programs. This policy is to ensure consistency in how pay decisions are determined, managed, and administered across The State of Tennessee. The State strives to attract and retain talented and motivated people with an eye toward efficiency to further its strategy and create a culture of commitment, growth, and equity to support the employee value proposition.

Specifically, the elements of the total rewards philosophy are:

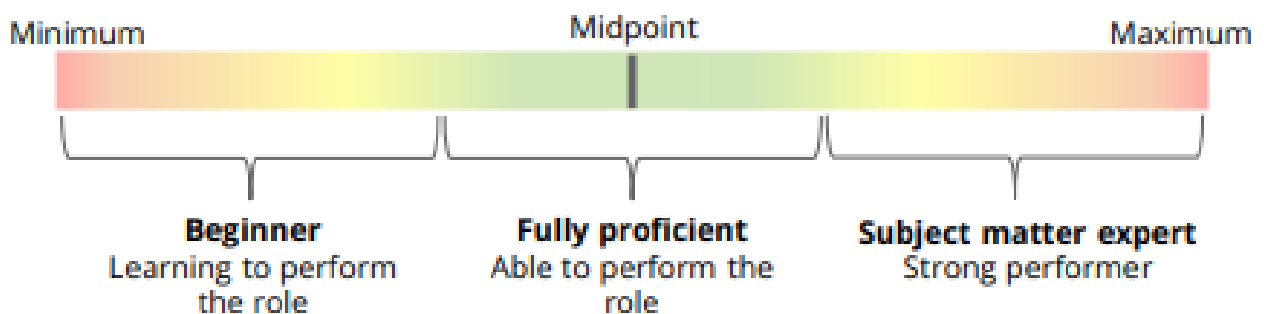
- *Base Salary:* Pay competitive base salaries, targeting the market median to attract and retain key employees;
- *Benefits:* Offer premium benefits, targeting above the market median to attract and retain key employees;
- *Critical Jobs:* Pay at the 75th percentile of the market for mission-critical jobs;
- *Values:* Equity, flexibility, and work/life balance;
- *Internal vs External equity:* Maintain fair and equitable salary levels by considering external competitiveness and internal equity across agencies in the evaluation of positions;
- *Pay for performance:* Differentiate pay based on performance while remaining fiscally responsible;
- *Total rewards:* Attract and retain top talent based on the employee value proposition and a well-positioned total rewards program;
- *Future goals:* Become a best-in-class employer through a strong employee value proposition which is communicated through a mix of channels and key influencers to increase awareness and perception; and
- *Communication:* Deliver consistently, branded messaging that improves awareness and perception of the employee value proposition.

Salary Ranges

The purpose of a salary range is to provide a market competitive level of pay for each job classification, determine equitable pay levels for job classifications with similar responsibilities, and differentiate

individual performance. Pursuant to Tennessee Code Annotated, Section 8-30-207, the State's compensation plan shall include, for each class of positions, a minimum and maximum rate. In establishing such rates, the commissioner shall consider the ability to effectively recruit for positions in state service, the prevailing rates of pay for the services performed and for comparable services in public and private employment, living costs, other benefits received by employees, and the state's financial condition and policies. Employees shall therefore be paid at least the minimum of the salary range for the job classification and shall not be paid above the salary range maximum for the classification. When determining where in the range to pay an employee, consider proficiency level, individual knowledge, skills, past experience, and performance. Agencies shall use the following chart when determining where to place an employee within the salary range for a particular classification:

Key questions for determining proficiency level		
What kind of experience and performance does the individual possess (i.e., time in the role, relevant work experience, past performance)?		
Can the individual perform all aspects of the job effectively and independently?		
Beginner	Fully Proficient	Subject Matter Expert
Learning to perform the job Requires help and guidance from others Developing competencies and level of proficiency required for the job	Possesses the knowledge and abilities required for the position Consistently demonstrates proficiency in each aspect of the job over an extended period	Significant depth of knowledge and experience in the role Go to resource or role model for others Consistent strong performer



New Job Classifications

New job classifications can be placed into the salary structure using one of the following strategies: (1) Market-price the job and use the market median to determine the closest salary grade midpoint or (2) Slot the job into the appropriate salary grade.

New Hire Salary

When considering new hire salary, the goal is to offer a competitive starting salary for new hires that reflects the candidates' proficiency level, individual knowledge, skills, past experience, and performance. Other items to consider when determining a candidate's offer are the level and salary range for the job, how the State pays for similar positions, and the candidate's expectations. See the section on "Salary Ranges" for more information regarding placement within the salary range.

Promotions

Promotions reflect an employee's movement to a new job classification in a higher salary grade. Another type of promotion is an in-grade promotion, which reflects an employee's upward movement to a classification in the same grade within a classification series. Promotional salaries should generally be similar to a new hire with the offer falling in the beginner zone but may go up to the midpoint. Percentages for promotional increases shall be a percentage of base salary. For example, support levels may receive a 5-8% increase, professional levels may receive an 8-10% increase, and leadership/high-level individual contributors may receive a 12-15% increase.

A flex position is a position in a classification series which may be filled with an employee qualified to perform the job at the trainee, intermediate or working level. Most flex positions will remain in the same salary grade, similar to an in-grade promotion, upon flexing. The employee will progress through the range (from minimum to closer to midpoint) as opposed to moving up a salary grade.

Lateral Moves

A lateral move is defined as a movement to a job classification in the same salary grade, but not necessarily in the same job function or same classification series. These may happen to encourage an employee to pursue other interests or career tracks, allow employees to build an alternative skillset, or foster employee development. A lateral move may warrant a small increase in pay, depending on where the employee's salary falls in the salary range.

Demotions

A demotion reflects an employee's movement to a job classification in a lower salary grade. An in-grade demotion reflects an employee's downward movement to a classification in the same grade within a classification series. Demotions shall be addressed on a case-by-case basis to ensure appropriate action is

taken. There are two types of demotions: voluntary and involuntary. A voluntary demotion is at the request of a staff member. An involuntary demotion is the result of a reorganization, reclassification, or for performance-related reasons. The salary for an employee who is demoted must fall between the minimum and maximum of the new salary range.

Involuntary demotions may result in a pay decrease. Pay for voluntary demotions is based on internal equity. If performance is acceptable, a pay decrease may not be warranted. However, when an employee's pay is at or above the new salary grade maximum, the employee may receive a pay freeze or a reduction in base pay.

Salary Adjustments

A salary adjustment is a change in an employee's pay. Salary adjustments may be granted to lessen the severity of existing salary inequities between employees in the same job classification (equity). They may also be granted to an employee who is permanently assigned additional responsibilities that are more complex or significant in scope than those typically performed by the employee's current classification.

Other examples may include a salary adjustment that is given to an employee who is either temporarily assigned additional responsibilities (assignment differential) that are more complex or significant in scope than the employee's current job classification¹, classifications assigned to be on an irregular shift (shift differential), or as required by state and/or federal law.

A salary adjustment of 5% may also occur 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 to and/or enhances the employee's current job responsibilities. The request will not be approved if the degree was already used as a factor into previous salary decisions, or the degree was obtained more than two years prior to the request.

Secondary Salary Structure

Job classifications that are both critical to the State and difficult to recruit for or retain employees may be considered for the secondary salary structure. Placement of classifications on the secondary salary structure requires a formal request, subject to review and approval by DOHR. Classifications on the secondary salary structure will be reviewed annually to ensure continued need based on the established criteria.

¹ In order for an employee to be eligible to perform the majority of duties and responsibilities assigned to a position in a higher-level job classification, the employee *must* meet the minimum qualifications of the higher-level job classification.

Approval Process

The approval process for employee compensation shall be based on the guidelines as found in this policy. The effective date of the approval for salary adjustments will be the first day of the defined work week after electronic personnel action form (ePAF) has been approved by the agency appointing authority. Only under special circumstances, an exception to an effective date may be considered at the Department of Human Resources' discretion.

Questions regarding New Hire, Promotion, Demotion, Lateral Moves, and College Degree salary adjustments may be directed to the Agency Resource Center (ARC). Questions regarding New Job Classifications, Salary Adjustments (Equities and Assignment Differentials), and Secondary Salary Structure may be directed to the Compensation Division.