




Approved by: Juan Williams, Commissioner	Policy Number: 22-001 (rev. 07/01/2024)
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 the statewide compensation policy. This policy provides an overview of the objectives and guiding principles for administering the State’s compensation programs. This policy will ensure consistency in how pay decisions are determined, managed, and administered across Tennessee State Government. The State strives to attract and retain talented and motivated people with efficiency as a priority to further its strategy and create a culture of commitment, growth, and equity to support the employee value proposition (EVP).

The State emphasizes a total rewards philosophy comprised of the following elements:

- **Base Salary:** Pay competitive base salaries based on proficiency, considering the market median, to attract and retain high-performing employees;
- **Pay for performance:** Differentiate pay based on performance while remaining fiscally responsible;
- **Benefits:** Offer premium benefits, targeting above market median to attract and retain key employees;
- **Total rewards:** Attract and retain top talent based on the EVP and a robust total rewards program;
- **Critical Jobs:** Engage in special market assessment 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;
- **Future goals:** Become a best-in-class employer through a strong EVP which is communicated through a variety of channels and key influencers to increase awareness and perception; and
- **Communication:** Deliver consistent branded messaging that improves awareness and perception of the EVP.

Salary Ranges

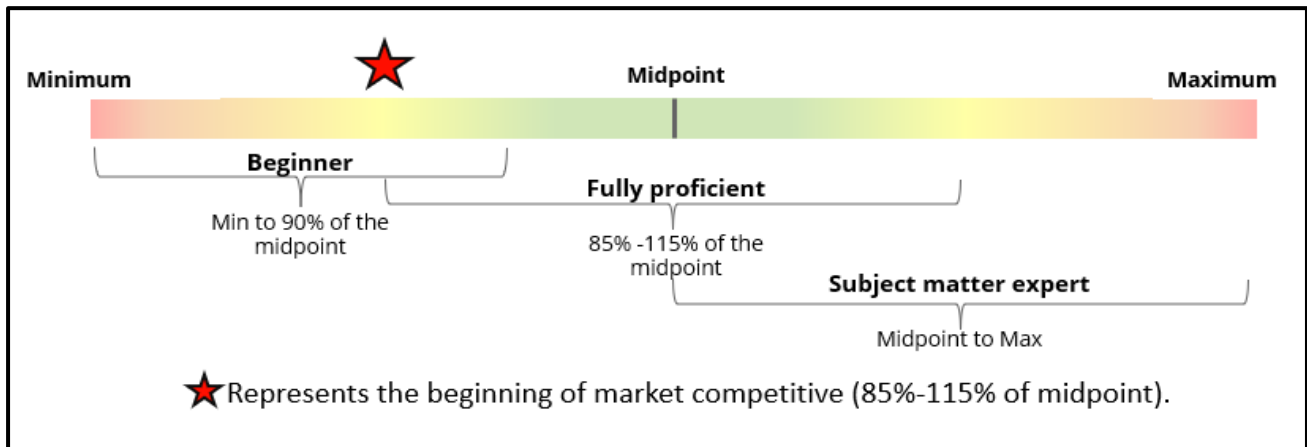
The purpose of a salary range is to provide a market competitive level of pay for each job classification, determine equitable pay levels for job classifications with similar responsibilities, and differentiate individual performance and proficiency. Pursuant to Tennessee Code Annotated, Section 8-30-207, 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.

Agencies shall consider the following when determining where to place an employee within the salary range:

Key Questions for Determining Proficiency Level		
<ul style="list-style-type: none"> What level of proficiency and performance has the individual demonstrated over time? Can the individual perform all aspects of the job effectively and independently? 		
Beginner	Fully Proficient	Subject Matter Expert
Individual Contributor Proficiency Level Definitions		
<ul style="list-style-type: none"> Limited experience in the role Learning to perform the job Needs moderate coaching, mentoring, and supervision to execute the role 	<ul style="list-style-type: none"> Possesses the knowledge and abilities required for the role Consistently demonstrates proficiency in each aspect of the job over an extended period Operates with minimal coaching and onboards new hires or transfers Consistently works independently and seeks guidance as appropriate 	<ul style="list-style-type: none"> Significant depth of knowledge and experience in the role Provides thought leadership to others in the role Relied upon for sound judgment in evaluating scenarios, problems, or opportunities
Managerial Proficiency Level Definitions		
<ul style="list-style-type: none"> Identifies and describes basic managerial responsibilities May have some experience in leading teams or managing tasks Still developing management skills and understanding of the role Requires guidance and support from superiors 	<ul style="list-style-type: none"> Performs core project management functions Demonstrated ability to manage successful projects Consistently demonstrates sound decision-making over time Consistently demonstrates a broad range of managerial skills and knowledge over time Takes on more complex responsibilities 	<ul style="list-style-type: none"> Deep understanding of the role, responsibilities, industry, and market Considered subject matter expert in field within/outside the organization Consistently provides strategic guidance and direction Leads/manages complex projects and initiatives Trusted by superiors to provide effective leadership to their team

Proficiency is an employee’s demonstrated ability to perform the tasks necessary for their job. Proficiency level definitions help to assess an individual’s proficiency for a role. When determining salary, consider individual proficiency level, knowledge, skills, abilities, experience, and demonstrated performance. Employees should be placed into the appropriate portion of the salary range based on an individual’s proficiency, with the goal of offering a market competitive rate (85% to 115% of midpoint). Generally, beginners should be paid at the lower end of the salary range, fully proficient in the middle of the range and subject matter experts toward the higher end of the range.

Use the chart below to guide salary placement determination.



Placing an employee into a salary range will depend on the individual situation and requires a case-by-case analysis. Proficiency should be a consideration. However, other variables (e.g., budget, where others are paid, compression issues) will also impact the salary selected.

New-Hire Salary

When considering new-hire salary, the goal is to offer a market competitive starting salary that reflects the candidates’ proficiency level, individual knowledge, skills, experience, abilities and demonstrated performance. Other items to consider when determining a candidate’s offer are the level and salary range for the job, and how the State pays for similar positions. See the section on “Salary Ranges” for more information regarding placement.

Promotions and Lateral Moves

Promotions reflect an employee’s movement to a new job classification in a higher salary grade. When considering a promotional salary, the goal is to offer a competitive salary that reflects the candidates’ proficiency level, individual knowledge, skills, experience, abilities, and demonstrated performance. 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 lateral move is defined as a movement to a job classification in the same salary grade. Another type of lateral move is an in-grade promotion, which reflects an employee's upward movement to a classification in the same grade within a classification series. Employee advancement within the series should reflect an employee's demonstrated ability to deliver work of greater complexity and may include supervision. Lateral movement should be designed to offer employees opportunity to pursue other interests and career tracks, build additional skillsets, and foster professional development. A lateral move may warrant a small increase in pay, depending on where the employee's salary falls in the salary range. Percentages for lateral moves shall be a percentage of base salary and are generally up to 5% depending upon range placement and proficiency level. Comparable and related work of other employees is also a consideration.

A position in a flex classification series may be filled with an employee at the trainee, intermediate or working level. Most employees in flex positions will remain in the same salary grade upon flexing and progress through the salary range.

Demotions

A demotion reflects an employee's movement to a job classification in a lower salary grade or an employee's downward movement to a classification in the same grade within a classification series (in grade demotion). 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 the employee. Employees may request a voluntary demotion due to various reasons, such as seeking better work-life balance, changing career paths, or addressing personal priorities. 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. When considering salary, the agency shall consider the employee's proficiency level, individual knowledge, skills, experience, education, and demonstrated performance.

Involuntary demotions may result in a pay decrease. Pay for voluntary demotions is based on the pay of others performing comparable work (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 will depend on the individual situation and require case-by-case analysis. An agency shall consider proficiency level, knowledge, skills, abilities, experience, education, demonstrated performance, possible compression issues, and salary range placement when requesting one of the following salary adjustments:

Equity: Salary adjustments may be granted to lessen the severity of existing salary inequities between employees in the same job classification or performing comparable work (*equity*). A salary adjustment may also be granted to an employee who is permanently assigned additional responsibilities of greater scope and complexity.

Assignment/Shift Differential: A salary adjustment may be granted to an employee who is temporarily assigned additional responsibilities (*assignment differential*) of greater scope and complexity, an employee assigned to be on an irregular shift (*shift differential*), or as required by state and/or federal law.

An agency may request an assignment differential when a preferred service employee is assigned the majority of duties of a higher-level preferred service position¹ for a defined period of time (e.g., supervisor on extended leave).

College Degree/Professional Certification: A salary adjustment up to 5% may be granted when an employee obtains a nationally recognized professional certification or a college degree from an accredited college or university after the date of hire. The professional certification or college degree must be related to and enhance the employee's current job responsibilities. The request will not be approved if the certification or degree was used as a factor into previous salary decisions or was obtained more than two years prior to the request. For additional information regarding professional certifications, refer to [DOHR Policy 12-031](#) "Nationally Recognized Professional Certifications".

Job Classifications and Salary Grades

Job classifications are 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 considering comparable jobs, job hierarchy, and internal leveling. An agency may request to establish a new classification or revise the salary grade of an existing classification by submitting written justification to the Compensation Division for review. Job classifications both critical to the State and difficult to recruit 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 and the Governor's Office. Classifications on the secondary salary structure will be reviewed annually to ensure continued need based on established criteria.

¹ Tenn. Code Ann. § 8-30-209 states, "no preferred service employee shall be assigned to perform the majority of duties and responsibilities of a position in a higher-level classification than that of the position occupied by the employee, without the approval of the appointing authority. When an employee is so assigned, the duration of such assignment may not exceed ninety (90) days without the approval of the Commissioner (of Human Resources)." 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 operational guidelines and this policy. A Salary Comparison Chart is required for salary determinations where applicable. 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 will an exception to an effective date may be considered at the appointing authority's request and at the Department of Human Resources' discretion.

The effective date of salary grade revisions will be determined after the Department of Human Resources reviews the request and will either be current or future-dated with consideration to the active pay period.

Questions regarding the following should be directed to the Agency Resource Center (ARC) Division:

- New-Hire Salary
- Promotions and Lateral Moves
- Demotions
- College Degree and Professional Certification salary adjustments

Questions regarding the following should be directed to the Compensation Division:

- Classification Establishments
- Salary Grade Revisions
- Equities, Assignment Differentials, and Shift Differentials