




<b>Approved by:</b> Juan Williams, Commissioner	<b>Policy Number:</b> 24-001 (rev. 05/20/2024)
<b>Signature:</b> 	<b>Supersedes:</b>
<b>Application:</b> Executive Branch Agencies and Employees, Human Resource Officers	<b>Effective Date:</b> March 20, 2024
<b>Authority:</b> T.C.A. § 4-3-1703, T.C.A. § 8-30-104, T.C.A. § 8-30-313	<b>Rule:</b> Chapter 1120-05

## Pay for Performance Program

It is the policy of the State of Tennessee (the State) to reward employee performance to encourage excellence and efficiency which will allow the State to maintain market competitiveness in recruitment and retention. Application of this policy is dependent on available funding subject to appropriation by the Tennessee General Assembly.

### **Terms/Definitions:**

- **P4P** – Pay for Performance
- **Standard PM Cycle**<sup>1</sup> - August 1<sup>st</sup> thru July 31<sup>st</sup> of the following year
- **Performance Increase** - Reward earned for performance at the end of the standard PM cycle for achieving a rating of Meets Expectations or above; base pay does not include differential pay, overtime, or longevity.
- **Performance Bonus** - Reward earned for performance at the end of the standard PM cycle for achieving a rating of “Exceeds Expectations” or “Exceptional” only; one-time payment.
- **Rater** – Employee’s supervisor, who is responsible for the timely completion of all PM documents.
- **Reviewer** – Rater’s supervisor; responsible for the timely completion of all PM documents.

### **Performance Increase vs. Performance Bonus**

	<b>Increase</b>	<b>Bonus</b>
<b>Rating</b>	“Meets Expectations” “Exceeds Expectations” “Exceptional”	“Exceeds Expectations” and “Exceptional” <b>Only</b>
<b>Payment</b>	Increase to base not including overtime and longevity	One-time payment

<sup>1</sup> For more information on the Standard PM cycle, See [DOHR Policy, 12-064, Performance Management Program](#).

## Eligibility

To be eligible, a preferred service or executive service employee must:

- Be an active and regular, full-time employee with Tennessee State Government as of August 1<sup>st</sup> of the current PM cycle, in a participating agency as defined in Tennessee Code Annotated (T.C.A.) § 8-30-102.
- Complete twelve (12) consecutive, full months of employment by July 31<sup>st</sup> of the current PM cycle, with no break in service.
- Achieve an overall performance rating of "Meets Expectations," "Exceeds Expectations" or "Exceptional" appropriately documented in writing as part of the employee's current performance review.

### ***Employees Not Eligible for Pay for Performance Reward***

The following employees shall not be eligible for a performance reward:

- Employees who are excluded from the salary schedule or have a salary schedule conducted and implemented pursuant to a statutory pay plan.
  - Commissioned officers in the Department of Safety & Homeland Security
  - Commissioned officers in the Department of Commerce & Insurance; and
  - Wildlife specific classifications in the Tennessee Wildlife Resources Agency
- Employees with less than twelve (12) consecutive months of service.
- Raters who have not timely completed performance reviews by the end of the current performance cycle.<sup>2</sup>
- Reviewers who have not timely completed performance reviews by the end of the current performance cycle.<sup>3</sup>
- Employees who transferred after August 1<sup>st</sup>, from an excluded state agency as defined in T.C.A. § 8-30-102.
- Employees in an interim status as of the end of the standard PM cycle.
- Employees on terminal annual leave.
- Employees who earn tips as part of their hourly wage.

No other consideration may be given for eligibility, including disciplinary action.

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<sup>2</sup> If such delay is due to documented employee unavailability or other circumstances outside of the Rater's control, the Rater may be eligible for the performance reward.

<sup>3</sup> If such delay is due to documented employee unavailability or other circumstances outside of the Reviewer's control, the Reviewer may be eligible for the performance increase.

## Ratings and Calculation

In accordance with [DOHR Policy 12-064](#), each employee shall receive a performance management rating no later than July 31<sup>st</sup> of the standard PM cycle. Employees who did not receive a performance rating by July 31<sup>st</sup> may receive a performance increase based upon the “Meets Expectations” percentage if the employee meets all other eligibility requirements. Use the chart below as a guide for performance increase determinations. In no instance will the rating default to a previous performance year.

If an employee:	Then, rating will be determined based on:	WHY?
Completed probation <b>on or before</b> 3/31	Document ending <b>7/31</b> or default to “Meets Expectations.” Will <b>NOT</b> default to rating on probation document.	Upon probation completion, the employee must receive a new document ending <b>7/31</b> . PM Policy states there must be at least 120 days to complete a PM cycle. If there is no completed document ending 7/31, rating will default to “Meets Expectations.”
Completed probation <b>after</b> 3/31, but before 08/01	Probation document rating or default to “Meets Expectations.”	PM Policy states there must be at least 120 days to complete a PM cycle. If there is no completed document, rating will default to “Meets Expectations.”
Transferred or Promoted between 4/1 and 5/31	Defaulted rating of “Meets Expectations.”	Standard cycle documents can only be completed within the rating period 6/1 – 7/31.
<b>Transferred or Promoted</b> after <b>6/1</b> and before <b>7/31</b>	Meets Expectations, if the document is not completed by <b>7/31</b> .	The document can be completed before transfer or promotion within the rating period according to PM policy.
<b>No rating<sup>4</sup> as of 7/31</b>	Defaulted rating of “Meets Expectations.”	The employee does not have a rating at the end of the PM cycle.

<sup>4</sup> Raters/Reviewers with employees on protected leave, (i.e., FMLA, ADA, Military, Paid Parental Leave, Sick Leave Bank, Short/Long Term Disability, Workers’ Compensation), shall provide a rating to an employee during the rating period, as long as the employee worked for at least 120 days of the performance review cycle, and completed at least one (1) interim review.

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### ***Calculations and Methodology***

The *performance increase* will be calculated by adjusting the employee's base salary according to the most recently approved performance reward as of September 1<sup>st</sup>, not including longevity or overtime pay.

The *performance bonus* will be calculated using the gross salary paid during the PM cycle from August 1<sup>st</sup> through July 31<sup>st</sup>. Bonus payment calculations will not include regular overtime and longevity compensation received during this time. This will be included in employee's pay as a one-time, non-recurring payment.

An employee at or above the maximum of their salary range shall not be eligible for an increase in base salary, pursuant to T.C.A. § 8-30-207. These employees will be compensated for performance by a one-time, non-recurring payment at the employee's level of performance.

An employee below the range maximum, is eligible for the full base salary increase even if the range maximum is exceeded. The performance increase amount is not reduced. Once salary exceeds the range maximum, future performance increases are distributed in the form of a one-time payment rather than base salary increases.

Questions regarding this policy may be directed to the Office of People, Performance and Culture.