

**Pay for Performance (P4P)**  
Frequently Asked Questions  
*(Updated August 2023)*

**General Information**

**Q:** What is Pay for Performance (P4P)?

**A:** Pay for performance is a merit-based pay system that rewards above-average performance, improves efficiency, and encourages participation in programs that improve job performance and skill.

**Q:** Why is the state changing Pay for Performance (P4P) distribution?

**A:** To reward employees sooner for their current performance. In previous years, the State of Tennessee has rewarded employees' hard work and dedication based on their previous year's performance. With this change in the PM cycle, the State will now reward eligible employees based on their recent performance and payout performance rewards sooner, in September.

**Q:** How will the P4P program be administered?

**A:** The P4P guidelines establishes a base increase for employees who receives a rating of *Meets Expectations* or above and an additional bonus percentage for employees who receive an *Exceeds Expectations* or *Exceptional* rating for the 2022-2023 PM cycle ending July 31, 2023.

**Q:** What are the percentages associated with the respective ratings?

**A:**

Rating	Base Increase %	Bonus %
Meets Expectations	6%	---
Exceeds Expectations	8%	3.5%
Exceptional	9.25%	7%

**Eligibility**

**Q:** Which agencies are eligible to participate in pay for performance?

**A:** All agencies in the State Service as defined in Tennessee Code Annotated, Section 8-30-102 are eligible to participate. Other boards and commissions within the Executive Branch may be included if the agency participated in the 2022-2023 performance management cycle and upon approval of the Commissioners of the Departments of Human Resources and Finance and Administration.

**Q:** Who is eligible for pay for performance?

**A:** To be eligible, a preferred service or executive service employee:

- Must be employed with the State of Tennessee in a participating agency as defined in Tennessee Code Annotated, Section 8-30-102 on or before October 1, 2022, with no breaks in service;
- Must be a Regular, Full-time employee as of September 1, 2023; and
- Achieved an overall performance rating of *Meets Expectations* or above

**Q:** Who would not be eligible for pay for performance?

**A:** The following employees shall not be eligible for pay for performance:

- Employees within the State Service who are excluded from the salary schedule or have a salary schedule conducted and implemented pursuant to a statutory pay plan. This includes commissioned officers in the Departments of Safety & Homeland Security and Commerce & Insurance as well as wildlife-specific classifications in the Tennessee Wildlife Resources Agency.
- Employees who transferred after October 1, 2022, from an excluded State agency as defined in Tennessee Code Annotated, Section 8-30-102.
- Employees who do not have a performance rating in the 2022-2023 review cycle. There are instances, however, where an employee may be eligible for pay for performance if that employee does not have a performance rating. If this occurs, the employee may receive a performance increase based upon the Meets Expectations percentage, if the employee meets all other eligibility requirements.
- Employees with a rating less than Meets Expectations.
- Employees on terminal annual leave as of September 1<sup>st</sup>, 2023.
- Supervisors (i.e., Raters) who have not timely completed performance reviews by the end of the performance cycle may not be eligible for a performance increase. In addition, Reviewers who do not timely complete performance reviews as required may be ineligible for a pay for performance increase.

**Q:** I am currently on probation. Am I eligible for P4P?

**A:** Yes, for this cycle only we have waived the required 12 months of consecutive State Service to include employees who were hired on or before the start of the PM cycle, October 1, 2022.

**Q:** If an employee has been promoted or transferred during the current review cycle or does not receive a performance rating, will that employee be eligible to receive pay for performance?

**A:** A full-time, active employee who does not have a performance rating in the current cycle may be eligible for pay for performance based upon the *Meets Expectations* percentage if the employee meets all other eligibility requirements.

**Q:** Are interim employees eligible for pay for performance?

**A:** No. Interim employees generally do not receive evaluations, so they are not evaluated under the current system. DOHR Rule 1120-01 provides a definition of interim appointments. There are some interim employees who receive evaluations, but, due to their status as interim employees, they are ineligible for the pay for performance increases.

**Q:** My salary is close to the range maximum and the P4P base salary increase would place my salary above the range maximum. Am I eligible for the full P4P base salary increase?

**A:** If your salary is below the range maximum, you are eligible for the full base salary increase regardless of if the P4P salary increase causes you to exceed the range maximum. Your P4P salary increase amount is not reduced. Please note that once your salary exceeds the range maximum, future P4P is distributed in the form of a one-time bonus rather than future base salary increases.

**Q:** Are employees who are compensated at the top of the salary range eligible for pay for performance?

**A:** Pursuant to Tennessee Code Annotated, Section 8-30-207, an employee at or above the maximum of their salary range shall not be eligible for an increase in base salary. Instead, these employees will be compensated for performance by a one-time, non-recurring bonus at the employee's level of performance.

## Ratings and Calculations

**Q:** I am currently on probation or just completed probation during the PM cycle. What rating will be used to calculate my performance reward?

**A:** If you completed probation after 3/31, your performance reward will be calculated using the rating on your completed probation document. If you completed probation before March 31, 2023, you should have a new document and your performance reward will be calculated using the short cycle document ending 7/31/23. If you do not have a rating for this document, you will default to Meets Expectations. If you were promoted between 10/1/22 and 5/31/23, your rating will default to meets expectations.

Employee status	P4P Rating Calculation
Completed probation on or before 3/31/23	Rating received on document ending 7/31/23 or default to Meets Expectations. Will NOT default to rating on probation document.
Completed probation after 3/31/23	Rating received on probation document or default to Meets Expectations
Currently on probation (employees hired between 8/1/22 and 9/30/22 ONLY)	If document is not completed by July 31 <sup>st</sup> , default to Meets Expectations
Currently on probation Promoted between 10/1/22 and 5/31/23	Default to Meets Expectations

**Q:** Will I receive a performance reward if I am on approved leave, such as FMLA or Military leave, and do not receive a rating before July 31<sup>st</sup> for the 2022-2023 PM cycle?

**A:** Employees on approved leave as of July 31, 2023, who do not receive a rating, as required by the P4P guidelines, may receive a performance reward at the Meets Expectation level, if all other eligibility requirements are met. Please note, the rating will not default to a previous performance year.

**Q:** How is the base increase calculated?

**A:** Employees will receive a performance base increase according to the rating received for the PM cycle ending July 31, 2023. This is calculated using the current base salary not including overtime or longevity pay as of September 1, 2023, the effective date of P4P.

### Base Increase Calculation Example

If you received an **Exceeds Expectations** for the 2022-2023 PM cycle, your base increase will be calculated as follows:

Base annual salary as of September 1, 2023	\$60,000
Base % increase	8%
Base Increase**	\$4,800
<b>New base salary</b>	<b>\$64,800</b>

\*\*When calculating performance reward base increases, it is practice to round compensation to the whole dollar. For example, \$50.10 would be rounded to \$50.00, while \$50.50 would be rounded up to \$51.00. The percentage increase is then applied to the whole dollar amount.

Rating	Base Increase %	Bonus %
Meets Expectations	6%	---
Exceeds Expectations	8%	3.5%
Exceptional	9.25%	7%

**Q:** How is the performance bonus calculated?

**A:** For this cycle only, the performance bonus is calculated using the dates of the adjusted PM cycle. Employees will receive a performance bonus calculated using the gross salary paid during the PM cycle from October 1, 2022 through July 31, 2023, not including longevity or regular overtime pay. This will be effective September 1, 2023.

**Bonus Calculation Example:**

If you received an **Exceeds Expectations** for the adjusted 2022-2023 PM cycle, your bonus will be calculated as follows:

Gross annual salary earned October 1, 2022 through November 16, 2022	\$5,000 x 1-1/2 mths =	\$ 7,500
Gross annual salary earned for Increase between November 16, 2022 through July 31, 2023	\$5,075*x 8-1/2 mths =	\$43,138
<b>Total salary for the PM cycle</b>		<b>\$50,638</b>

*\*Gross salary- the total amount you earn before taxes not including longevity or regular overtime pay*

<b>Bonus Amount</b> = Total Gross Salary earned for the PM cycle x <b>Bonus</b> Rating %	\$50,638 x 3.5% =	<b>\$1,772.33</b>
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