


<b>Approved by:</b> Juan Williams, Commissioner	<b>Policy Number:</b> 24-001
<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 to reward employee performance earned 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 effective date of P4P distribution.
- Employees on terminal annual leave.

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><u>on or before</u></b> 3/31	Document ending <b>7/31</b> or default to Meets Expectations. Will NOT 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><u>after</u></b> 3/31	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 ending 7/31, 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><u>6/1</u></b> and before <b><u>7/31</u></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>Protected Leave<sup>4</sup> as of 7/31</b>	Defaulted rating of Meets Expectations	The employee is not available to complete the PM cycle.

<sup>4</sup> Includes: FMLA, ADA, Military, Paid Parental Leave, Sick Leave Bank, Short/Long Term Disability, Workers Compensation

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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, longevity, dual service contract, or differential payments earned 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.