

# POLICY

<b>Approved by:</b> Rebecca R. Hunter, Commissioner	<b>Policy Number:</b> 12-029 (rev. 02/14)
<b>Signature:</b> <i>Rebecca R. Hunter</i>	<b>Supersedes:</b> 11-037, 06-026, 97-024, 85-022, 85-027, 84-028; 12-029
<b>Application:</b> Executive Branch Agencies and Employees, Human Resource Officers	<b>Effective Date:</b> February 16, 2014
<b>Authority:</b> T.C.A. § 4-3-1703, T.C.A. § 8-30-104, T.C.A. § 8-30-207	<b>Rule:</b> Chapter 1120-01 and 1120-04

**Subject:**

## Preferred Service Compensation

The Commissioner of the Department of Human Resources (DOHR) prepares and maintains a comprehensive compensation plan and has ultimate authority over statewide compensation policy.

However, when making employment and promotion decisions, an appointing authority is given flexibility in recommending equitable salary rates. When making salary recommendations, an appointing authority shall ensure budget integrity as well as internal agency equity consistent with equal opportunity principles and applicable laws.

Appointing authorities and human resource officers, with input from hiring managers, are to use the following policy to support salary recommendations above the minimum rate for the job class in which the position being filled is assigned.

### Approval Process

Employees in the preferred service shall be paid at least the minimum salary of the range of the job classification and shall not be paid above the maximum salary of that same range.

When an agency appoints, promotes, or demotes a preferred service employee, a worked referral lists, along with written justification, shall be forwarded to the Commissioner for approval. When requesting a salary for preferred service employees, an appointing authority should consider the following factors to justify the request: agency budget and financial issues; applicant knowledge, skills, abilities, and competencies; recruiting and turnover factors; internal salary equity; business needs; duties and responsibilities; training and education; related certificates or licensures; total related work experience; and other relevant criteria, as determined by the appointing authority.

Pursuant to Department of Human Resources Rule 1120-04-.03, the minimum rate of pay in the applicable salary range represents the typical entry rate payable to a person on first appointment to a position in a classification. However, the Commissioner may authorize appointments above the range minimum, when experience in recruiting and retaining employees for the classification or prevailing salary market data indicate persons are not available at lower rates or when appointing persons exceptionally qualified for the position, including reappointments. Requests for exceptions will be reviewed by the Commissioner and/or the Commissioner's designees, with particular attention being

given to salary equity in the job classification considering scope of responsibilities and span of control, total percentage of increase for promotions, existing state or departmental budget restrictions and/or financial management plans, and other relevant criteria as determined by the Commissioner.

If the justification is based on high turnover rates and/or high vacancy rates, an agency may request that DOHR conduct a compensation study to determine if in-range hiring rates are appropriate or if the job classification is assigned to the appropriate salary grade in the pay plan.

#### Appointments above the Entry Rate

Each preferred service job classification has a 60% range from the minimum to the maximum rate of the assigned salary range. With minimal justification, an appointing authority may request a salary up to fifteen percent (15%) above the minimum of the pay range for individuals new to state government or up to fifteen percent (15%) above the previous base salary for those returning to state government within two (2) years of his or her separation date. Additional justification based on knowledge, skills, abilities, and/or competencies critical to the work unit is required when the salary recommendation exceeds fifteen percent (15%).

DOHR will consider recommendations above the midpoint of the salary range when an appointing authority submits justification. Midpoint of the range represents the market salary for a position.

#### In-Range Hiring

In-range hiring is designed to serve as an incentive to attract qualified applicants into hard to fill positions. An appointing authority may submit written justification to DOHR for in-range hiring for a job classification. If approved, the starting salary for applicants employed in the job classification will be set at a rate above the minimum salary in the salary range. See policy 12-030, *Positions Approved for In-Range Hiring*.

#### Promotions

A promotion is the change of an employee to a position in a classification at a higher salary grade. To determine if an employee is moving to a higher salary grade, DOHR shall consider the midpoint of each salary range.

Subject to budgetary limitations, employees who are promoted should receive a minimum of a five percent (5%) increase. With minimal justification, an appointing authority may request a promotional salary increase up to fifteen percent (15%). An employee shall be brought to the minimum of the new range despite the percentage increase necessary.

To calculate salary increase due to a promotion, multiply the employee's current base rate by the total percent of the promotion.

For example:

Employee A has a current base salary of \$2044 and receives a promotion with a five percent (5%) increase. Multiply the base salary (\$2044) by 1.05 = \$2146.200000 (to the sixth digit); rounded to the nearest dollar = \$2146.

Employee B has a current base salary of \$1875 and receives a promotion with a ten percent (10%) increase. Multiply the base salary (\$1875) by 1.10 = \$2062.500000 (to the sixth digit); rounded to the nearest dollar = \$2063.

Employee C has a current base salary of \$2250 and receives a promotion with a fifteen percent (15%) increase. Multiply the base salary (\$2250) by 1.15 = \$2587.500000 (to the sixth digit); rounded to the nearest dollar = \$2588.

DOHR will review the salary of an executive service employee who accepts a promotion to a position in the preferred service for statewide equity.

#### Transfers and Lateral Reclassifications

An employee who receives a transfer will not receive a change in salary. An employee who receives a lateral reclassification will not typically receive a change in salary. An appointing authority may request an increase based on the employee's knowledge, skills, abilities, and/or competencies related to the employee's new job assignment.

#### Demotions

A demotion is the change of an employee to a position in a classification at a lower salary grade for causes related to performance of duties or conduct which affects an employee's ability to successfully fulfill the requirements of the job. To determine if an employee is moving to a lower salary grade, DOHR shall consider the midpoint of each salary range. An appointing authority shall provide DOHR with written justification for all demotions or reductions in rank.

An employee who is demoted during a probationary period and returns to the job classification from which he or she was promoted shall receive a salary decrease by an amount equal to the whole dollar received due to the promotion.

Generally, an employee who is demoted will receive a salary reduction of at least five percent (5%). If the new pay rate is above the range maximum, the employee's salary shall then be reduced to a rate at or below the new range maximum. If the employee's salary is already within the new range, the salary should not generally be reduced more than fifteen percent (15%). In no instance can the reduction be less than the minimum of the new range.

To determine a salary decrease due to a demotion, divide the employee's current base rate by the total percent of the demotion.

For example:

Employee A has a current base salary of \$2044 and receives a demotion with a five percent (5%) decrease. Divide the base salary (\$2044) by 1.05 = \$1946.666667 (to the sixth digit); rounded to the nearest dollar = \$1947.

Employee B has a current base salary of \$1875 and receives a demotion with a ten percent (10%) decrease. Divide the base salary (\$1875) by 1.10 = \$1704.545455 (to the sixth digit); rounded to the nearest dollar = \$1705.

Employee C has a current base salary of \$2250 and receives a demotion with a fifteen percent (15%) decrease. Divide the base salary (\$2250) by 1.15 = \$1956.521739 (to the sixth digit); rounded to the nearest dollar = \$1957.

For the good of the service, an appointing authority may request a job related exception. When considering whether to approve such request, DOHR considers the following: salary equity issues, the complexity of the position to which the employee would be promoted when compared to the former higher level position held by the employee, the length of time since the employee was demoted (with

greater consideration given to a demotion that occurred after the employee served five (5) or more years in their current job classification), and/or other job related issues as determined by the Department.

#### Reductions in Rank and Subsequent Promotion

An employee who is demoted or reduced in rank (voluntarily or involuntarily) and receives a decrease in pay (see “Demotions” above) may be eligible to receive an increase when promoted. However, an employee who received a voluntary reduction in rank and a decrease of less than five (5) percent in pay and is subsequently promoted may only receive an increase equal to the percent his or her salary was decreased.

An employee who did not receive a reduction in pay may not receive an increase in pay when promoted until promoted to a job classification with a higher salary range midpoint than the midpoint from which the employee was demoted originally. If an employee is promoted to a job classification with a higher midpoint than the midpoint from which they were originally reduced, an appointing authority may request an increase based on the employee’s knowledge, skills, abilities, and/or competencies related to the employee’s new job assignment. The new amount shall not exceed the maximum salary rate of the new job classification.

An employee receiving a voluntary reduction in rank must sign and date an awareness statement. See sample awareness statements below. Agencies shall forward an executed awareness statements to the Technical Services Division. If the employee refuses to sign the awareness statement, the supervisor or another higher level official in the agency may sign the form on behalf of the employee.

Questions regarding this policy may be directed to the Technical Services Division or to the Classification/Compensation Division.

## Sample Awareness Statements

Voluntary Reduction in Rank with no Salary Reduction

I, [Employee Name], understand that I have accepted a voluntary reduction in rank from [Classification A] to [Classification B] in which my salary was not reduced. I further understand and accept that, because my salary was not reduced as a result of this action, my salary may not be increased when I receive a promotion at any later date until such time as I promote to a classification with a higher salary range midpoint than that of the classification from which I am being reduced in rank.

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Employee Name and Date

Voluntary Reduction in Rank with Salary Reduction

I, [Employee Name], understand that I have accepted a voluntary reduction in rank from [Classification A] to [Classification B] in which my salary was reduced by \$XXX/month. I further understand and accept that, as a result of this action, my salary may not be increased when I receive a promotion at any later date by greater than \$XXX/month until such time as I promote to a classification with a higher salary range midpoint than that of the classification from which I am being reduced in rank.

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Employee Name and Date