



March 12, 2025

---

# Compensation Plans

---

Dear Reader:

The following document was created from the CTAS website ([ctas.tennessee.edu](http://ctas.tennessee.edu)). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee  
County Technical Assistance Service  
226 Anne Dallas Dudley Boulevard, Suite 400  
Nashville, Tennessee 37219  
615.532.3555 phone  
615.532.3699 fax  
[www.ctas.tennessee.edu](http://www.ctas.tennessee.edu)

Table of Contents

|                                 |          |
|---------------------------------|----------|
| <b>Compensation Plans .....</b> | <b>3</b> |
|---------------------------------|----------|

# Compensation Plans

Reference Number: CTAS-1082

While the adoption of a compensation plan (also known as a pay plan or compensation schedule) is not required by law, an employer may want to adopt a pay plan to avoid conflicts and misunderstandings with and between employees. The employer should be careful to ensure that equal pay is given to employees who perform equal work. Differences in pay can exist, however, to reward tenure and performance.

The most efficient way to make sure that employees are properly compensated is to first create a job description for each position. Then, a salary range is assigned to each position based upon the knowledge, skills and abilities needed to fill that position. The salary range for each position can include several levels or steps so the employer can reward the employee's performance or continued loyalty to the employer.

---

**Source URL:** <https://www.ctas.tennessee.edu/eli/compensation-plans>