

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 1345

Short Title: Clarify Merit Pay Proviso.

(Public)

Sponsors: Senators Johnson of Wake; Barker, Bryan, Lee, Sands, Sherron, and Staton.

Referred to: State Personnel.

May 22, 1990

A BILL TO BE ENTITLED

**AN ACT TO CLARIFY THE CURRENT PROVISIO REGARDING A LIMITATION
ON THE NUMBER OF STATE EMPLOYEES ELIGIBLE TO RECEIVE
PERFORMANCE PAY INCREASES.**

The General Assembly of North Carolina enacts:

Section 1. G.S. 126-7 reads as rewritten:

"§ 126-7. Compensation of State employees. (a) It is the policy of the State to compensate its employees at a level sufficient to encourage excellence of performance and to maintain the labor market competitiveness necessary to recruit and retain a competent work force. To this end, salary increases to State employees shall be based, in part, on each individual employee's job performance and, in part, on general increases given to all State employees.

(b) To guide the Governor and the General Assembly in making appropriations to further the compensation policy of the State, the State Personnel Commission shall conduct annual compensation surveys. The Commission shall determine the percent of funds appropriated for salary increases to be reserved for a general increase for all State employees and the percent to be reserved for performance-based increases for eligible employees. The Commission shall present its recommendation on the percentages and the results of the compensation survey to the Appropriations Committees of the House and Senate no later than two weeks after the convening of the legislature in odd years and May 1st, of even years. The amount reserved for performance increases shall not be less than twenty-five percent (25%) nor more than seventy-five percent (75%) of the total allocation.

1 (c) Performance increases shall be based on performance appraisals of all
2 employees conducted by each department, agency, and institution. The State Personnel
3 Commission, under the authority of G.S.126-4(8), shall adopt policy and regulations for
4 performance appraisal. The policy and regulations shall include the following:

5 (1) The performance appraisal system of each department, agency, or
6 institution shall be designed and administered to ensure that
7 performance increases are distributed fairly and reward only
8 performance that exceeds performance requirements.

9 (2) To be eligible to distribute its share of the performance increase
10 allocation, a department, agency, or institution shall have an operative
11 performance appraisal system which has been approved by the State
12 Personnel Director. The performance appraisal system adopted shall
13 use a rating scale of at least five levels, with the top three levels
14 qualifying for performance increases, and shall adhere to modern
15 personnel management techniques and practices in common use in the
16 public and private sectors. Departments, agencies, and institutions
17 with existing performance appraisal systems which use a rating scale
18 which is not consistent with the five-level system described above
19 shall have until July 1, 1991, to bring their systems into compliance
20 with this subsection.

21 (3) The State Personnel Director shall help departments, agencies, and
22 institutions to establish and administer their performance appraisal
23 systems and shall provide initial and ongoing training in performance
24 appraisal and performance system administration.

25 (4) An employee whose performance exceeds performance requirements
26 shall receive a performance increase unless the employee's supervisor
27 justifies in writing the decision not to award the performance increase.
28 An employee whose performance does not exceed performance
29 requirements shall not receive a performance increase. Standards for
30 performance and standards for performance pay increases may be
31 established for each department, agency, or institution. These
32 standards may not set limits so as to preclude an employee whose
33 performance exceeds performance requirements from consideration for
34 an increase.

35 (5) The State Personnel Director shall set the performance increase ranges
36 allowable for levels of performance that exceed performance
37 requirements. Absent the supervisor's written justification, an
38 employee whose performance exceeds expectations shall receive a
39 percentage increase equal to the midrange value for his rating level.
40 With the supervisor's written justification, an individual employee's
41 increase may vary above or below the midrange value within the
42 allowable range. A supervisor's performance appraisal plan,
43 evaluation standards for each employee, and individual employee
44 ratings and recommended performance increase amounts, with

- 1 justification, shall be reviewed and approved by that supervisor's next
2 higher level supervisor.
- 3 (6) The State Personnel Director may suspend any performance increase
4 that does not appear to meet the intent of the provisions of the
5 performance pay system and require the originating department,
6 agency, or institution to reconsider or justify the increase.
- 7 (7) An employee who disputes the fairness of his performance evaluation
8 or the sufficiency of the increase awarded or who believes that he was
9 unfairly denied a performance increase shall first discuss the problem
10 with his supervisor. Appeals of the supervisor's decision shall be made
11 only to the grievance committee or internal performance review board
12 of the department, agency, or institution which shall make a
13 recommendation to the head of the department, agency, or institution
14 for final decision. The State Personnel Director shall help a
15 department, agency, or institution establish an internal performance
16 review board or, if it includes employee members, to use its existing
17 grievance committee to hear performance pay disputes.
18 Notwithstanding G.S. 150B-2(2) and G.S. 126-22, 126-25, and 126-
19 34, performance pay disputes, including disputes about individual
20 performance appraisals, shall not be considered contested case issues.
- 21 (8) The State Personnel Director shall monitor the performance appraisal
22 system and performance increase distribution of each employing unit
23 within each department, agency, and institution. Each department,
24 agency, and institution shall submit to the Director annual reports
25 which shall include data on the demographics of performance ratings,
26 the frequency of evaluations, the performance pay increases awarded,
27 and the implementation schedule for performance pay increases. The
28 Director shall analyze the data to ensure that performance increases are
29 distributed fairly within each department, agency, and institution and
30 across all departments, agencies, and institutions of State government
31 and shall report back to each department, agency, and institution on its
32 appraisal and distribution performance.
- 33 (9) The State Personnel Director shall report annually on the performance
34 pay program to the Commission. The report shall evaluate the
35 performance of each department, agency, and institution in the
36 administration of its appraisal system and the distribution of
37 performance increases within each department, agency, and institution
38 and across State government. The report shall include
39 recommendations for improving the performance appraisal system and
40 alleviating inequities. Copies of the report shall be sent to the State
41 Auditor.
- 42 (10) The Commission shall report annually to the Governor, the Lieutenant
43 Governor, the President Pro Tempore of the Senate, the Speaker of the
44 House of Representatives, and the Standing Personnel Committees of

1 the House and the Senate. The Commission report shall include an
2 evaluation of the administration of the appraisal system and
3 distribution of performance increases by each department, agency, and
4 institution. The State Personnel Director shall recommend to the
5 General Assembly for its approval sanctions to be levied against
6 departments, agencies, and institutions that have deficient appraisal
7 systems or that do not link performance increases to performance.
8 These sanctions may include withholding performance increases from
9 the managers and supervisors of individual employing units of
10 departments, agencies, and institutions in which discrepancies exist.

11 (d) The provisions of subsections (a), (b), and (c) shall not affect the system of
12 longevity payments established by the State Personnel Commission.

13 ~~(e) Nothing in this section shall require or authorize any department, agency, or~~
14 ~~institution to establish a limitation on the number or percentage of employees who are~~
15 ~~eligible under this section to receive performance increases."~~

16 Sec. 2. This act is effective upon ratification.