

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

H

1

HOUSE BILL 2146

Short Title: Clarify Merit Pay Proviso.

(Public)

---

Sponsors: Representatives Fitch; Stamey, Fletcher, H. Hunter, Flaherty, Nye, Barnes, Blue, Fussell, and Barbee.

---

Referred to: Public Employees.

---

May 29, 1990

A BILL TO BE ENTITLED

1 AN ACT TO CLARIFY THE CURRENT PROVISIO REGARDING A LIMITATION  
2 ON THE NUMBER OF STATE EMPLOYEES ELIGIBLE TO RECEIVE  
3 PERFORMANCE PAY INCREASES.  
4

5 The General Assembly of North Carolina enacts:

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

7 "**§ 126-7. Compensation of State employees.**

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

13 (b) To guide the Governor and the General Assembly in making appropriations  
14 to further the compensation policy of the State, the State Personnel Commission shall  
15 conduct annual compensation surveys. The Commission shall determine the percent of  
16 funds appropriated for salary increases to be reserved for a general increase for all State  
17 employees and the percent to be reserved for performance-based increases for eligible  
18 employees. The Commission shall present its recommendation on the percentages and  
19 the results of the compensation survey to the Appropriations Committees of the House  
20 and Senate no later than two weeks after the convening of the legislature in odd years  
21 and May 1st, of even years. The amount reserved for performance increases shall not  
22 be less than twenty-five percent (25%) nor more than seventy-five percent (75%) of the  
23 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.