

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

S

2

SENATE BILL 1402

State Personnel Committee Substitute Adopted 6/28/90

Short Title: Performance Pay Oversight.

(Public)

Sponsors:

Referred to:

May 29, 1990

A BILL TO BE ENTITLED

1 AN ACT TO ESTABLISH A PERFORMANCE MANAGEMENT AND PAY
2 ADVISORY COMMITTEE WITHIN EACH DEPARTMENT, AGENCY, AND
3 INSTITUTION TO ENSURE THAT PERFORMANCE PAY INCREASES ARE
4 MADE IN A FAIR AND EQUITABLE MANNER.

5 The General Assembly of North Carolina enacts:

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

7 "(c) Performance increases shall be based on performance appraisals of
8 all employees conducted by each department, agency, and institution. The State
9 Personnel Commission, under the authority of G.S. 126-4(8), shall adopt policy and
10 regulations for performance appraisal. The policy and regulations shall include the
11 following:
12

13 (1) The performance appraisal system of each department, agency, or
14 institution shall be designed and administered to ensure that
15 performance increases are distributed fairly and reward only
16 performance that exceeds performance requirements.

17 (2) To be eligible to distribute its share of the performance increase
18 allocation, a department, agency, or institution shall have an operative
19 performance appraisal system which has been approved by the State
20 Personnel Director. The performance appraisal system adopted shall
21 use a rating scale of at least five levels, with the top three levels
22 qualifying for performance increases, and shall adhere to modern
23 personnel management techniques and practices in common use in the

1 public and private sectors. Departments, agencies, and institutions
2 with existing performance appraisal systems which use a rating scale
3 which is not consistent with the five-level system described above
4 shall have until July 1, 1991, to bring their systems into compliance
5 with this subsection.

6 (3) The State Personnel Director shall help departments, agencies, and
7 institutions to establish and administer their performance appraisal
8 systems and shall provide initial and ongoing training in performance
9 appraisal and performance system administration.

10 (4) An employee whose performance exceeds performance requirements
11 shall receive a performance increase unless the employee's supervisor
12 justifies in writing the decision not to award the performance increase.
13 An employee whose performance does not exceed performance
14 requirements shall not receive a performance increase.

15 (5) The State Personnel Director shall set the performance increase ranges
16 allowable for levels of performance that exceed performance
17 requirements. Absent the supervisor's written justification, an
18 employee whose performance exceeds expectations shall receive a
19 percentage increase equal to the midrange value for his rating level.
20 With the supervisor's written justification, an individual employee's
21 increase may vary above or below the midrange value within the
22 allowable range. A supervisor's performance appraisal plan,
23 evaluation standards for each employee, and individual employee
24 ratings and recommended performance increase amounts, with
25 justification, shall be reviewed and approved by that supervisor's next
26 higher level supervisor.

27 (6) The State Personnel Director may suspend any performance increase
28 that does not appear to meet the intent of the provisions of the
29 performance pay system and require the originating department,
30 agency, or institution to reconsider or justify the increase.

31 (7) An employee who disputes the fairness of his performance evaluation
32 or the sufficiency of the increase awarded or who believes that he was
33 unfairly denied a performance increase shall first discuss the problem
34 with his supervisor. Appeals of the supervisor's decision shall be made
35 only to the grievance committee or internal performance review board
36 of the department, agency, or institution which shall make a
37 recommendation to the head of the department, agency, or institution
38 for final decision. The State Personnel Director shall help a
39 department, agency, or institution establish an internal performance
40 review board or, if it includes employee members, to use its existing
41 grievance committee to hear performance pay disputes.
42 Notwithstanding G.S. 150B-2(2) and G.S. 126-22, 126-25, and 126-
43 34, performance pay disputes, including disputes about individual
44 performance appraisals, shall not be considered contested case issues.

1 (7a) Each department, agency, and institution shall establish a performance
2 management and pay advisory committee as part of the performance
3 appraisal system. The purpose of the committee is to ensure that
4 performance pay increases are made in an equitable manner. The
5 committee shall be responsible for reviewing:

6 a. Agency performance pay policies and performance pay plan to
7 determine whether this section and any guidelines promulgated
8 by the Office of State Personnel have been adhered to;

9 b. Agency training and education programs to determine whether
10 all employees receive appropriate information; and

11 c. Performance ratings within the department, agency, or
12 institution to determine whether an equitable distribution has
13 been made.

14 The committee must have a minimum of five members. The head
15 of each department, agency, and institution shall appoint the members
16 of the committee with equal representation of nonsupervisory,
17 supervisory, and management employees. The committee shall elect
18 its own chair.

19 The performance management and pay advisory committee shall
20 meet at least two times each year. The committee shall submit a
21 written report following each meeting to the head of the department,
22 agency, or institution. The report shall include recommendations for
23 changes and corrections in the administration of the performance
24 management system. The recommendations of the committee shall be
25 advisory only. The head of the department, agency, or institution shall
26 respond to the committee within three months. Copies of the report
27 shall be included in the report to the Office of State Personnel that is
28 required of that agency, department, or institution. Summaries of the
29 report shall be included in the annual reports that are mandated by this
30 subsection.

31 (8) The State Personnel Director shall monitor the performance appraisal
32 system and performance increase distribution of each employing unit
33 within each department, agency, and institution. Each department,
34 agency, and institution shall submit to the Director annual reports
35 which shall include data on the demographics of performance ratings,
36 the frequency of evaluations, the performance pay increases awarded,
37 and the implementation schedule for performance pay increases. The
38 Director shall analyze the data to ensure that performance increases are
39 distributed fairly within each department, agency, and institution and
40 across all departments, agencies, and institutions of State government
41 and shall report back to each department, agency, and institution on its
42 appraisal and distribution performance.

43 (9) The State Personnel Director shall report annually on the performance
44 pay program to the Commission. The report shall evaluate the

1 performance of each department, agency, and institution in the
2 administration of its appraisal system and the distribution of
3 performance increases within each department, agency, and institution
4 and across State government. The report shall include
5 recommendations for improving the performance appraisal system and
6 alleviating inequities. Copies of the report shall be sent to the State
7 Auditor.

- 8 (10) The Commission shall report annually to the Governor, the Lieutenant
9 Governor, the President Pro Tempore of the Senate, the Speaker of the
10 House of Representatives, and the Standing Personnel Committees of
11 the House and the Senate. The Commission report shall include an
12 evaluation of the administration of the appraisal system and
13 distribution of performance increases by each department, agency, and
14 institution. The State Personnel Director shall recommend to the
15 General Assembly for its approval sanctions to be levied against
16 departments, agencies, and institutions that have deficient appraisal
17 systems or that do not link performance increases to performance.
18 These sanctions may include withholding performance increases from
19 the managers and supervisors of individual employing units of
20 departments, agencies, and institutions in which discrepancies exist."

21 Sec. 2. This act shall become effective July 1, 1990.