

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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SENATE BILL 48*

Short Title: Merit Pay System.

(Public)

Sponsors: Senators Taft, Guy, Hunt of Durham, Marvin, Sherron; and Hunt of Moore.

Referred to: State Personnel.

January 24, 1989

A BILL TO BE ENTITLED

1 AN ACT TO REVISE THE MERIT PAY SYSTEM IN EFFECT FOR STATE
2 EMPLOYEES SUBJECT TO THE PROVISIONS OF CHAPTER 126 OF THE
3 GENERAL STATUTES.
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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 merit increases for
18 eligible employees. The Commission shall present its recommendation on the
19 percentages and the results of the compensation survey to the Appropriations
20 Committees of the House and Senate no later than two weeks before the convening of
21 the legislature in odd years and May 1st of even years. The amount reserved for merit
22 increases shall not be less than twenty-five percent (25%) nor more than seventy-five
23 percent (75%) of the total allocation.

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

- 5 (1) Each employing unit's appraisal system shall be designed and
6 administered to ensure that merit increases reward only performance
7 that is satisfactory and above and are distributed fairly.
- 8 (2) To be eligible to distribute its share of the merit increase allocation, an
9 employing unit shall have an operative performance appraisal system
10 which has been approved by the State Personnel Director.
- 11 (3) The State Personnel Director shall help employing units to establish
12 and administer their performance appraisal systems and shall provide
13 initial and ongoing training in performance appraisal and performance
14 system administration.
- 15 (4) An employee whose performance rating is satisfactory and above is
16 eligible to receive a merit increase. An employee whose performance
17 rating is below satisfactory shall not receive a merit increase.
- 18 (5) The State Personnel Director shall set the maximum merit increases
19 allowable for levels of performance that are satisfactory and above.
20 Individual merit increases may vary depending on an employee's job
21 performance and position within salary grade. A supervisor's
22 performance appraisal plan, evaluation standards for each employee,
23 and individual employee ratings and merit increase amounts shall be
24 reviewed by the immediate supervisor who can approve increases up
25 to the maximums set by the State Personnel Director. A merit increase
26 to an employee above the maximum set for his level of performance
27 must be approved in writing by the State Personnel Director.
- 28 (6) An employee who believes that his performance was not evaluated
29 fairly, that he was unfairly denied a merit increase, or that he received
30 an insufficient increase based on his performance appraisal must first
31 discuss the problem with his supervisor. Appeals of the supervisor's
32 decision shall be made only to the employing unit's grievance
33 committee or internal merit review board. The State Personnel
34 Director shall help an employing unit to establish an internal merit
35 review board or, if it includes employee members, to use its existing
36 grievance committee to hear merit pay disputes.
- 37 (7) The State Personnel Director shall monitor the performance appraisal
38 system and merit increase distribution of each employing unit. Each
39 unit shall submit data required by the Director on the administration of
40 the performance appraisal system within that unit annually. The
41 Director shall analyze the data to ensure that merit increases are
42 distributed fairly within individual employing units and across all such
43 units of State government and shall report back to each unit on its
44 appraisal and distribution performance.

- 1 (8) The State Personnel Director shall report annually on the merit pay
2 program to the Commission. The report shall evaluate the
3 performance of each employing unit in the administration of its
4 appraisal system and the distribution of merit increases within each
5 unit and across State government. The report shall include
6 recommendations for improving the performance appraisal system and
7 alleviating inequities. Copies of the report shall be sent to the State
8 Auditor.
- 9 (9) The Commission shall report annually to the Governor, the Lieutenant
10 Governor, the President Pro Tempore of the Senate, the Speaker of the
11 House of Representatives, and the Standing Personnel Committees of
12 the House and the Senate. The Commission report shall include an
13 evaluation of each employing unit's administration of its appraisal
14 system and distribution of merit increases. The State Personnel
15 Director shall recommend for approval by the General Assembly
16 sanctions for employing units that have deficient appraisal systems or
17 that do not link merit increases to performance.
- 18 (d) The provisions of subsections (a), (b), and (c) shall not affect the system of
19 longevity payments established by the State Personnel Commission."
20 Sec. 2. This act shall become effective January 1, 1990.