

GENERAL ASSEMBLY OF NORTH CAROLINA

SESSION 1989

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HOUSE BILL 73\*

Short Title: Merit Pay System.

(Public)

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Sponsors: Representatives Stamey, Burke, Fletcher, Kerr, Warren, Wisner; Fussell, Warner, Bowman, Woodard, Hackney, Justus, Perdue, and Colton.

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Referred to: Public Employees.

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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.