

**STATE HUMAN RESOURCES COMMISSION MEETING
ADMINISTRATION BUILDING, COMMISSION CONFERENCE ROOM
116 WEST JONES STREET - RALEIGH, NORTH CAROLINA**

MEETING MINUTES – February 4, 2016

Members Present

Members present at the Administration Building for the meeting were: Chair Susan Manning, Commissioner Phil Strach, Commissioner Martin Falls, Commissioner Ross Beamon, Commissioner John Eller and Commissioner Kelly Sizemore.

Other Attendees

Other attendees present were: C. Neal Alexander, Jr., Director, Office of State Human Resources; Paula Woodhouse, Deputy Director, Office of State Human Resources; Jessica Middlebrooks, General Counsel to Office of State Human Resources; Bailey Bruce, State Human Resources Commission Administrator, Office of State Human Resources.

Opening

The State Human Resources Commission (SHRC) last convened on February 4, 2016. Pursuant to North Carolina General Statutes §138A and the North Carolina Ethics Act, Chair Susan Manning asked all Commissioners if there were any conflicts of interest or potential conflicts of interest with respect to any matters coming before the Commission. There were no conflicts of interest or potential conflicts of interest noted by any Commissioner. The Commission convened its open meeting at 9:11 am in the Learning and Development Center Commission Conference Room.

Business Session

CONSENT AGENDA ITEMS

1. Approval of Minutes for the January 7, 2015 State Human Resources Commission Meeting

Motion: Commissioner Strach made a motion to approve the Consent Agenda.

Seconded: Commissioner Beamon seconded the motion.

The motion carried.

Public Comment

No one signed up for Public Comment.

State Human Resources Director Report

Director Neal Alexander began by expressing gratitude to the commission members for their time and commitment. Director Alexander continued by discussing that continuing efforts made regarding the Classification and Compensation Project and the Salary Administration Policies.

Director Alexander mentioned the request for a separate meeting on March 3rd to consider more Classification Job Specifications and vote on the Salary Administration Policies. Director Alexander concluded by saying that the commission would hear about changes to rules and the Adverse Weather Policy at this meeting.

March 3rd Meeting Date

Commissioners voted to add a meeting on March 3rd to consider more Classification Specifications for Compensation Project and to vote on the Salary Administration Policy which will be discussed at the end of the February Meeting.

Motion: Commissioner Beamon made a motion to approve the March 3rd Meeting Date.

Seconded: Commissioner Sizemore seconded the motion.

The motion carried.

Readoption of 25 NCAC 01C Rules

Margaret Duke, OSHR Rule Coordinator, requested approval for the Readoption of 25 NCAC 01C Rules. Ms. Duke spoke of how these rules are subject to readoption pursuant to the periodic review and expiration of existing rules as set forth in G.S. 150B-21.3A(c)(2)g. These rules were determined to be “Necessary with Substantive Public Interest” after they were initially determined to be “Unnecessary” or “Necessary without Substantive Public Interest.” These rules must be readopted no later than April 30, 2016 or they will expire. This set of rules has completed the required 60-day comment period and one public comment was received. After the public comment period, OSHR recognized the need for additional changes to 25 NCAC 01C .1007 which are noted in the rule text. If these additional changes are approved and deemed a “substantial change” by the Rules Review Commission, then the rule must be republished and complete another 60-day comment period.

Motion: Commissioner Falls made a motion to approve the Readoption of 25 NCAC 01C Rules.

Seconded: Commissioner Beamon seconded the motion.

The motion carried.

Adoption of 25 NCAC 01O Rules

Margaret Duke, OSHR Rule Coordinator, requested approval for the Adoption of 25 NCAC 01O Rules. Ms. Duke spoke of how H.B. 834 (Session Law 2013-382) granted OSHR authority to develop criteria and standards for performance management and employee evaluations. It was determined that OSHR would lead the efforts to overhaul three primary areas related to performance management: policy/rules, process, and technology. This set of rules is part of that effort. The required public hearing and 60-day comment period has been completed and no comments were received. After end of the comment period, OSHR recognized additional changes needed to some of the proposed rules in order to comply with H.B. 495 (Session Law 2015-260) and to reflect changes to the Performance Management policy approved by the SHRC on December 3, 2015. If any of these additional changes are deemed to be a substantial change by the Rules Review Commission, the rule must be republished and complete another 60-day comment period.

Motion: Commissioner Strach made a motion to approve the Adoption of 25 NCAC 01O Rules.

Seconded: Commissioner Falls seconded the motion.

The motion carried.

University SHRA Performance Appraisal Policy

Matt Brody, Chief Human Resources Officer, University System, requested approval for the University SHRA Performance Appraisal Policy. In August 2014, the State Human Resources Commission approved the adoption of a new Performance Management Policy to be effective July 1, 2015 for all State agencies. At that time, the University System requested approval to establish a separate policy that followed the same general provisions of the State agency policy but was tailored for the University environment, including a performance cycle that coincides better with the academic year. Mr. Brody spoke about how this policy provides a standardized approach to performance management for the University system, including the establishment of a three point rating scale, a standard performance review cycle, a standard set of institutional goals (comparable to the Agency's "organizational values"), processes for performance planning, feedback, and evaluation, and processes for addressing poor performance. Recognizing the varied approaches toward performance management that each institution has developed over time, and the diversity of classifications within each institution that necessitate a performance management approach that provides both flexibility as well as consistency, this new policy establishes core components for identifying strategic performance goals, monitoring execution of expectations, and evaluating employee overall performance. While the University policy is effective April 1, 2016, implementation will be phased in over time to allow the University adequate time for training and communications. Mr. Brody also reported to the Commission on the initial implementation of the University System's Adverse Weather Policy that was approved at the December meeting and used for the first time in January.

Motion: Commissioner Falls made a motion to approve the University SHRA Performance Appraisal Policy.

Seconded: Commissioner Sizemore seconded the motion.

The motion carried.

Classification Specifications for Compensation Project

Dennis Schoch, HR Partner, updated the Commission on actions that had been taken on Classification Specifications that were considered at the January meeting. The majority of comments made by the Commission were accepted and incorporated into the Classification Specifications. He then went through the proposed Classification Specifications by job families that were ready for Commission review and requested approval of approximately 90 classification specifications representing work in 11 of the 19 new job families. Senate Bill 402, "The Appropriations Act of 2013", funded and directed the Office of State Human Resources (OSHR) to conduct the Statewide Compensation System Project. Currently, employees are classified and compensated under two non-integrated pay systems, neither of which is functioning optimally. The purpose of this project is to create a modern and streamlined compensation system for state government that is equitable, market-responsive, and values employee performance. A key aspect of the project has been the creation, consolidation,

streamlining and standardization of classification concepts. Classification Subject Matter Expert (SME) teams from OSHR and all state agencies have been involved in developing these concepts. Once approved, the SME teams, along with additional Classification and Compensation staff from the agencies, will analyze current position description information and allocate all state agency jobs to the new concepts. Later, the concepts will be appropriately market-priced and/or slotted into new market-based salary structures.

Mr. Schoch also spoke about the new salary structures that have been proposed to accommodate new classification concepts. These have been brought for approval over the past several months. OSHR has also established or is proposing several occupational-specific structures (Information Technology, Physicians, Attorneys, Executives and Highway Patrol) but the vast majority of state jobs will be included in the proposed General Pay Plan. After discussion and questions by the Commission, Mr. Schoch requested a motion to approve the Salary Structures and the Classification Specifications.

Motion: Commissioner Falls made a motion to approve the Salary Structures.

Seconded: Commissioner Sizemore seconded the motion.

The motion carried.

Motion: Commissioner Strach made a motion to approve the Classification Specifications.

Seconded: Commissioner Falls seconded the motion.

The motion carried.

Commissioner John Eller arrived at 9:56 am.

Commissioner Kelly Sizemore left meeting at 10:05 am.

Adverse Weather Policy

Steve Grant, HR Partner, requested approval for the Adverse Weather Policy. Mr. Grant mentioned that the reasons for the policy change were to update the new definition of adverse weather, as well as, addressing that the University North Carolina System now has their own policy which was approved by the commission during the December meeting.

Motion: Commissioner Falls made a motion to approve the Adverse Weather Policy.

Seconded: Commissioner Beamon seconded the motion.

The motion carried.

Salary Administration Policies

Davita Morant, HR Partner, gave a summary of the changes to the Salary Administration policies in order to receive recommendations from the Commission prior to presentation at the March 3rd meeting. Ms. Morant mentioned currently the new Statewide Compensation System Project is in implementation phase and requires corresponding Compensation/Salary Administration policies in order to fully implement. Current policies do not align with the market based system. These changes will align with the intent of the new Compensation

Project. Policy changes are required to provide more flexibility in setting pay and gives management the ability to set pay competitively with the market. Currently because we operate under two primary pay systems, we have two separate policies. This new system will allow for one unified policy. Additionally, current policies are very long and repeat policies from other sections. This change will shorten the policy and create more meaningful titles and terminology related to the new compensation system. There was extensive discussion and comments from the Commission including a request to place the definitions at the beginning of the policy to facilitate better understanding of the policy. Staff agreed to consider adjusting the policy format to move definitions to the beginning of the policy rather than the end. This would apply to all policies, not just the Salary Administration policy. Staff asked if the Commission wanted to review all policies if they are just being reformatted but there are not substantive changes to the content. The Commission agreed that it did not need review policies with only format changes.

Motion: Commissioner Eller made a motion that a policy does not need to come before the commission when it is being reformatted.

Seconded: Commissioner Strach seconded the motion.

The motion carried.

Adjournment

Chair Manning asked if there were any other business items to be heard during the business session. There being no additional items on the agenda, Chair Manning asked for a motion to adjourn the business session.

Motion: Commissioner Strach made a motion to adjourn the business session.

Seconded: Commissioner Beamon seconded the motion.

The motion carried.

Executive Session

The State Human Resources Commission did not have an executive session at its February 4, 2016 meeting.

Minutes submitted by:

Bailey Bruce, State Human Resources Commission Administrator