

**STATE HUMAN RESOURCES COMMISSION MEETING  
LEARNING AND DEVELOPMENT CENTER, COMMISSION CONFERENCE ROOM  
101 WEST PEACE STREET - RALEIGH, NORTH CAROLINA**

**MEETING MINUTES – February 7, 2019**

**Members Present**

Members present at the Learning and Development Center for the meeting were: Chair Dekhasta Becton Rozier, Commissioner Ross Beamon, Commissioner Meredith Benjamin (via teleconference), Commissioner Douglas Boyette, II, Commissioner Martin Falls, Commissioner Emily Jones, Commissioner April Page and Commissioner Phillip Strach.

**Other Attendees**

Other attendees present were: Barbara Gibson, Director, Office of State Human Resources; Deputy Directors Judy Estevez and Tammy Penny, retiring Deputy Director Lou Ann Phillips, Office of State Human Resources; Denise Mazza, State Human Resources Commission Administrator, Office of State Human Resources; Andrea Clinkscales, Joe Marro, Joanne Sullivan, Kristen Siemek and Elaine Darby, Office of State Human Resources; and Zane Stilwell of TSG.

**Opening**

The Commission convened its open meeting at 9:01 a.m. in the Learning and Development Center Commission Conference Room. The Chair made note that Commissioner Meredith Benjamin was in attendance at the meeting via teleconference.

The State Human Resources Commission (SHRC) last convened on December 6, 2018. Pursuant to North Carolina General Statutes § 163A and the North Carolina Ethics Act, Chair Dekhasta Rozier asked all Commissioners present if there were any conflicts of interest or potential conflicts of interest with respect to any matters coming before the Commission. Commissioner Meredith Benjamin rescinded her recusal as to the LME/MCO agenda item.

There were no adjustments or approvals to the agenda as proposed for the February 7, 2019 meeting.

**CONSENT AGENDA ITEMS**

Approval of the minutes for the December 6, 2018 State Human Resources Commission Meeting.

Motion: Commissioner Beamon made a motion to recommend approval of the minutes.

Seconded: Commissioner Falls seconded the motion.

The motion carried.

## **Business Session**

### **Public Comment**

Steve Martin, Deputy General Counsel with Cardinal Innovations Healthcare, spoke to the Commission about his concerns regarding the proposed LME/MCO Area Directors/CEO – Results of Consultant’s Salary Study after being tabled at the December 2018 meeting. He reminded the Commission that Cardinal’s Board Chair Brian Thompson had submitted a letter regarding these matter at the December meeting and informed the Commission that the Board had since met and adopted the letter on behalf of the entire organization. The two key points of Cardinal’s concern are first, that the RSC market study did not comply with the directives of the General Assembly because it did not include necessary criteria and, second, the current salary range, as recommended via the RSC study, is 26 percent below the 25th percentile of the market study Cardinal provided via SullivanCotter in October of 2018. He conveyed Cardinal’s offer to have SullivanCotter meet with OSHR staff to discuss these concerns. Lastly, he reiterated the critical importance of getting this right and getting it right now, mentioning that the Department of Health and Human Services had issued an RFP and has awarded \$30 billion in contracts to 5 for-profit and not-for-profit commercial insurance companies – BCBS, United Healthcare, Sentinel, Well Care, Ameritas Group - for commercial plans to come into the State to begin to operate the remainder of the Medicaid Program on a managed care platform. All of these entities are actively recruiting for talent at all levels, making it critically important to appropriately set CEO salary ranges.

### **State Human Resources Director’s Report**

Director Gibson began by welcoming everyone and noting that much of 2018 had been spent on Classification & Compensation transformation and thanked staff and all agencies for their help with the process. She then addressed continued concerns about the labor data. Mercer, one of the largest and best respected human resources consulting firms in the country, will be handling the project. Gibson stated that OSHR was very grateful to the State Budget Director and some of the agency heads assisted in locating funding to acquire a consultant as reputable as Mercer. Mercer will address the five components critical for the system’s effectiveness and success. They include:

1. Competitive Labor Market Report focusing on the State’s salaries and wages as viewed from local, regional and national perspectives as appropriate. Partnering with Mercer, OSHR will work to identify benchmark job classifications that are most appropriate for use in the external market pricing;
2. Pay Plan Analysis to examine several salary structures and ranges and make any adjustments that are necessary to support the State’s Total Reward Philosophy;
3. Law Enforcement Pay Plan, separate from the Highway Patrol Plan, for the many different law enforcement classifications including Alcohol Law Enforcement, DMV Law Enforcement, Forestry Law Enforcement, Marine Fisheries Law Enforcement, Police Officers, SBI Agents, Wildlife Law Enforcement;
4. University System Classifications analysis to look at continuing the career banding system or transitioning to the new system; and

5. Policies and Practices analysis for compensation and salary administration policies in context of best practices to ensure sound fiscal stewardship and adherence to legal and regulatory compliance audit and reporting requirements.

Mercer's preliminary report is due in May and the final report is due in September. SHRC will be kept apprised. With 70% of the State workforce below the midpoint of their salary grade, it is important to do this study as quickly as possible. It does not matter what system we have, if it is not funded so that we can pay our State employees a decent labor market relevant wage then its' not going to be successful. With our workforce growing older - the average age of a State employee in 1994 was 38; it is now 46, Twenty-two percent of State employees will be eligible to retire on unreduced benefits in the next five years. One out of every five State employee in at least nine agencies, this includes OSHR, are looking at retirement turnover of 30% or more. Similarly, 40% of State employees will be eligible to retire in the next 10 years. As a result, thirteen agencies are looking at retirement turnover of 47% to 55% in the next 10 years. So, we do need to do something to keep our workers.

On a positive note, Director Gibson shared that Deputy Director of Programs Lou Ann Phillips would be retiring and thanked her for her dedication and hard work. Director Gibson has reorganized her leadership a couple of times – starting out with one deputy, then adding a second deputy, Judy Estevez, and now replacing Phillips with Tammy Penny, a 20 year State employee - 18 years at DPS as an employee and manager. Penny will become the Deputy Director of Programs and Estevez will become the Chief Deputy Director. Anita Ward has also joined OSHR as the Chief Information Officer. Ward has 19 years with the State in similar roles and has assisted in system transitions throughout the years and understands Cornerstone.

In closing, Director Gibson spoke about the loss of OSHR employee Bobbi Wardlaw-Brown, trainer at the Learning Development Center, and the award of the Larkins Award to her this last month in tribute acknowledging her service to the community and the State.

### **Diversity and Workforce Services – Local Government LME/MCO Area Directors/CEO – Results of Consultant's Salary Study**

Nancy Astrike, Diversity & Workforce Services Division Director, reviewed and updated the Commission on the events of this matter:

- August 2018. OSHR recommended increasing the salary range maximum for LME/MCOs to \$369,071 as the result of a settlement agreement between Cardinal and the Office of State Human Resources. Simultaneously, the North Carolina General Assembly passed SB99 which mandated the Office of State Human Resources contract with an external vendor to conduct an independent salary review, including some specific criteria, and present that information to SHRC by December of 2018.
- December 2018. Dan Ripberger of RSC Advisory Group presents its salary analysis to SHRC recommending a small adjustment to the salary range, bringing the maximum up to \$375,100. The matter was tabled for the February SHRC meeting to have more commissioners in attendance to vote.

- February 7, 2019. RSC Advisory Group resubmitted its report with minor edits to the biographical information for the MCO Trillium, via Astrike since the contract with RSC expired at the end of 2018.
- In summary, the RSC provided analysis based on its independent experience and expertise, pursuant to the Administrative Code and General Statutes, the SHRC's authority applies only to the CEO position, and the proposed salary range applies to all seven LME/MCOs in the State system - as the clinical service line expands, there is opportunity and ability to modify the salary range. Since Cardinal's SullivanCotter report was provided to the Commission, Cardinal's CEO's salary had been increased by \$135,000 to the maximum, which would modify some of SullivanCotter's information, but might not necessarily change the basis of the recommendation.

Regarding this matter, Commissioner Phillip Strach had following questions (as OSHR's contract with RSC expired in December 2018, Division Director provided the summarized responses)

Q: Is the area director the same as the CEO?

A: They are synonymous.

Q: What was RSC's conflict with interviewing the existing area directors?

A. Astrike believed that RSC felt it would be difficult to talk to the area directors specially about what they should be paid. They instead interviewed the HR directors and members of boards of directors for those LME/MCOs to ascertain just generally the larger question of where they were recruiting from, where they view their future recruitment pool would occur from, what kind of more strategic issues they were experiencing when it came to recruitment and retention and in terms of service acquisition to be broader and more strategically at the issues that were associated. In other words, not just with the salary of a single employee but the overall operational issues associated with those entities.

Q: It appeared that RSC focused on retaining the current LME/MCO CEOs. Did RSC look at what it would take to recruit a new area director if one of the existing ones left?

A. Astrike directed the Commission to page 7 of the RSC report and noted, due to different sizes and different service delivery models, there wasn't a unanimous agreement within RSC's research of what the appropriate labor market would be for recruitment. RSC did note that none of the current area directors came from the recruitment area that they thought they would have to use currently, several had worked their way up through the entities to these top management positions, and because these entities run from Murphy to Manteo there are probably some different dynamics.

Q: The RSC study wasn't able to assess what it would take to recruit, but was more focused on retaining?

A: Astrike would need to consult with RSC to confirm that.

Q: Pursuant to page 8 of the RSC study, why did RSC just pick one survey? Why didn't it use all of them?

A: Astrike was unable to speak to the specifics, but reiterated that it was RSC's independent judgment to discount some and put a premium on other studies for factors they felt were relevant. She noted on a larger level one of the concerns OSHR is trying to be responsive to is these entities' intent or hope to evolve into a different service delivery model. It was RSC's belief that these MCO salaries, top executive's salaries, were an appropriate comparable for the structure of these organizations as they currently exist. OSHR wants to establish a fair and fiduciarily responsible market range for these individuals. Since six of the seven LME/MCOs were comfortable with the proposed range, OSHR feels like it objectively and fairly proposed a range needed to support these organizations to allow them to do that.

Q: Were the conversations between RSC and HR directors and board members recorded in some way? Was there any supporting documentation?

A: Astrike was unsure, but stated that OSHR had not been provided any tapes or written documentation of these conversations.

Q: Why did the RSC use a membership of less than 100,000 to SullivanCotter's total number of people Medicaid eligible?

A: Relying on the discussion at the December 2018 SHRC meeting, Astrike stated that RSC's position was it was the difference between using those who would be eligible to receive services versus those who actually did receive services, noting only one of seven entities that had a similar concern with the figures used by RSC.

Q: Isn't that one entity the biggest?

A. Yes, that is a fair statement.

Q: Why does RSC's report state that annual incentives included in its report are outside OSHR's control, but should be considered in setting the salary range?

A: RSC felt that annual incentive information should be considered as part of the total compensation package for these individuals as best practices in compensation methodology and should be part of the evaluation in terms of the market feasibility of the total compensation that these individuals are receiving. OSHR wanted it to be clear in the report that OSHR does not have any authority regarding incentives or benefits.

Q: By taking it into consideration, did RSC's report "sort of bake in" the annual incentive factor?

A: Not in terms of the base salary range.

Q: If SHRC adopted the range that has been recommended and then one of these entities gave its CEO a \$300,000 bonus the next year, would OSHR have any control over or would that impact that entity in any way?

A: Astrike believed that that is not something that OSHR would have control over, but felt other entities would be interested in that information.

Q: From a legal authority perspective, if the proposed range was adopted, would these entities have the flexibility to attract through a bonus structures that we would not have any control over?

A: Astrike was sure that there are some limitations, like considerations in their contracts with DHHS and others associated with that. OSHR's area of authority is limited to that base salary issue and that range.

Commissioner Ross Beamon stated that it this was discussed at the last meeting and that SHRC would focus on the salary range and it was up to the board if they wanted to give a bonus. Astrike agreed, but noted there may be some contractual limitations with DHHS although she was unaware what those limitations are or if any exist.

Q: What was the consultant's response about not considering covered lives per the statute?

A: Referring to RSC's comments at the December 6, 2018 SHRC meeting, Astrike stated that the difference was who potentially could have a service versus who was actually receiving a service.

Q: Did RSC analyze or take the SullivanCotter study into consideration?

A: Astrike believed RSC had, but was unaware to what level of detail.

Q: Do you know if RSC and SullivanCotter consultants have ever met?

A: Astrike did not believe so.

After confirming that if the Commission did nothing at this meeting that the existing maximum remains until something else is done and that the OSHR had met its legislative responsibility by bringing the range to the Commission by December 2018, Commissioner Strach moved the Commission to defer this issue until the April meeting pending a staff discussion with the SullivanCotter consultants.

Commissioner Martin Falls: Second.

Carried.

**Classification and Compensation -1 New and 6 Revised Classification Specs for New Class & Compensation System**

Joe Marro, Classification and Compensation Manager, presented the 1 new and 6 revised classification specifications to the Commission. The one new, the State Demographer, actually existed prior to the new Classification System, but got consolidated in with Statisticians as a result. The Office of State Budget Management asked OSHR to take another look at it. OSHR agreed it is a unique classification. OSHR supports the modifications to the minimum E&E for the revised 5 auditing positions. These positions typically have a bachelors degree, but are really hired for the 12 hours of accounting background regardless of the degree. Lastly, the Procurement Specialist III differs from the specialist Is and IIs by requiring certification. Several agencies such as the Department of Public Safety, Community Colleges, Department of Administration, have asked for this change to make it a preference to have the certification and not a requirement.

Finally, Marro informed the Commission that two items will be coming in April as a mandate of the Technical Correction Bill regarding the title grades for two positions in the Department of Public Safety. DPS is working on them. Any questions on those?

**Classification and Compensation -Range Revisions for Elevator Inspectors and Boiler Inspectors Job Series**

Joe Marro, Classification and Compensation Manager, reported to the Commission that the Department of Labor asked OSHR to review the pay grade assignments for their Elevator Inspections and Boiler Inspections job series. DOL provided some information and OSHR conducted its own market survey across the country looking for changes to all four levels in each area. As a result, OSHR concluded that the range for the Elevator Inspection Director was appropriate where it is, but all the other positions did rise one level based on the market research.

Commissioner Ross Beamon requested clarification regarding the one salary listed for the Elevator Inspector Assistant Director being greater than the Director. Marro explained that structures in each organization are different - some didn't have as many levels above the supervisor while others had multiple levels in the inspector series – and that was the salary of an actual sample may be due to longevity or other factors in the organization.

Motion: Commissioner Beamon made a motion to recommend approval of the 1 New and 6 Revised Classification Specs for New Classification and Compensation System.

Second: Commissioner Benjamin seconded the motion.

Motion carried.

[Point of Clarification. First vote was on the Classification and Compensation -1 New and 6 Revised Classification Specs for New Class & Compensation System.]

Motion: Commissioner Strach made a motion to recommend approval of the Range Revision for Elevator Inspectors and Boiler Inspectors Job Series.

Second: Commissioner Beamon seconded the motion.

Motion carried.

### **Adjournment**

Motion: Commissioner Falls made a motion to adjourn the meeting.

Second: Commissioner Strach seconded the motion.

The State Human Resources Commission meeting was adjourned at 9:50 a.m.

### **Executive Session**

The State Human Resources Commission did not have an executive session at its February 7, 2019 meeting.

Minutes submitted by: Denise H. Mazza, State Human Resources Commission Administrator