



STATE OF NORTH CAROLINA
OFFICE OF STATE HUMAN RESOURCES

JOSIL STEIN
GOVERNOR

STACI MEYER
DIRECTOR

August 21, 2025

TO: Agency Heads

CC: Agency Chief Deputies and Agency HR Directors

FROM: Staci Meyer, Director *SM*

RE: Flexibility Authorization for Classification, Salary and Bonuses

As follow up to the [memo](#) previously distributed regarding the hiring flexibility provided by the new N.C.G.S. § 126-3.1(b)(1) and (b)(2), this memo provides guidance to agencies in flexibility for pay and classification actions as outlined in the new N.C.G.S. § 126-3.1(b)(3) and (b)(4). Additionally, this memo also serves to expand agency flexibility authorization for Sign-On and Retention Bonuses.

Section 126-3.1 was added by [Session Law 2025-34](#). The new law reads:

"§ 126-3.1. Employing agency flexibility.

(a) For the purposes of this section, an "employing agency" means the Council of State, state agencies in the executive branch of government, the Community Colleges System Office, and The University of North Carolina.

(b) An employing agency is granted flexibility, notwithstanding other provisions of this Chapter, to do the following:

- (1) Offer qualified applicants for employment the option to have their applications considered for future positions at the same agency and at other agencies within the same or comparable classification.
- (2) Permit agencies to recruit and hire applicants from job postings that apply to all vacancies in a particular classification across all state agencies.
- (3) Classify or reclassify positions according to the State Human Resources Commission (SHRC) classification system, provided employees meet the minimum requirements for the classification.
- (4) Establish employee salaries within SHRC-determined salary ranges for respective position classifications.

Equal Opportunity Employer
Office: 333 Fayetteville Street • Raleigh, NC 27601
Mailing Address: 1331 Mail Service Center • Raleigh, NC 27699-1331
oshr.nc.gov • (984) 236.0800 T • (984) 236.0949 F

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(c) Nothing in this section diminishes the powers of the State Human Resources Commission or the Director of the Office of State Human Resources under any other provision of this Chapter or relating to corrective actions taken when an employing agency fails to comply with this section."

Classification and Salary

The current statutory authorization became effective July 1, 2025. Agencies covered in N.C.G.S. § 126-3.1 **are authorized to classify or reclassify their positions** according to the classification system established by the State Human Resources Commission as long as the employee meets the minimum requirements of the classification **and set salaries for their employees within the salary range** for the respective position classification established by the State Human Resources Commission. Review and approval by OSHR is not required, except for the exclusions listed below for Cabinet agencies.

For the avoidance of doubt, the above flexibility authorization also applies to positions at the following organizations: the Auctioneer Licensing Board, the Board of Barber and Electrolysis Examiners, the Board of Cosmetic Arts Examiners, the Board of Opticians, the Ethics Commission, the Industrial Commission, the Office of Administrative Hearings, the Office of State Budget and Management, the Office of State Controller, the Office of State Fire Marshal, the Psychology Board, the State Board of Elections, the Wildlife Commission, and the following separate state agencies that teach deaf and blind students: the Governor Morehead School for the Blind, the Eastern North Carolina School for the Deaf, and the North Carolina School for the Deaf.

In addition, pursuant to N.C.G.S. § 126-5(c14), the Office of State Controller, the Executive Director of the State Board of Elections, and each Council of State agency are authorized to set salaries for their exempt policymaking and exempt managerial positions up to an additional 10% above the maximum of the salary range established by the State Human Resources Commission. Review and approval by OSHR is not required. This additional authority to go 10% above the maximum, which is established by statute, does not apply to the other boards, commissions, institutions, offices, and systems.

Exclusion for Cabinet Agencies

To obtain Governor's Office approval of exempt designated positions described below and to provide separation of duties and consistency within Cabinet agencies, a Cabinet agency needs OSHR review and approval only if one of the following exclusions applies:

1. Cabinet agencies shall continue to coordinate with OSHR on the hiring process for exempt managerial, exempt policymaking, exempt chief deputy, exempt confidential assistant, and exempt confidential secretary positions. Pursuant to G.S. § 126-5(d)(1), the Governor designates exempt positions at Cabinet departments and offices. OSHR's approval is not required for these positions' classification and compensation decisions, unless it is for the top position in one of the four job series listed under bullet 2 below. However, OSHR must be consulted before any employee is hired into one of these exempt designated positions so that OSHR can coordinate with the Governor's Office.
2. OSHR shall have review and approval authority of classification and salary administration actions for the top position (and only the top position) in each of the following classification

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series within each agency, whether or not those positions are exempt from the North Carolina State Human Resources Act:

- Chief Deputy Series (Levels I-III), job codes 32000182, 32000183, and 32000184
 - Agency General Counsel Series (Levels I-II), job codes 32000121 and 32000122
 - Agency Human Resources Director Series (Levels I-IV), job codes 320001140, 320001141, 320001142, and 320001143, and
 - Agency Chief Financial Officer Series (Levels I-IV), job codes 32005326, 32005327, 32005328, and 32000265
3. Cabinet agencies shall continue to submit to OSHR for review and approval any salary administration action, including temporary in-ranges, that results in a salary **over \$200,000 (annualized)**, unless the position is in the Medical Pay Plan or the Digital Technology Pay Plan.

Cabinet agencies will submit actions that fall within these exclusions to OSHR for review and approval through the designated Smartsheet process.

Sign-On and Retention Bonus

Effective immediately, agencies are authorized to provide incentives under the Sign-On and Retention Bonus Policy except for the exclusions noted below. The agency needs OSHR review and approval for a sign-on or retention bonus only if one of the following exclusions applies.

Exclusions for Sign-On or Retention Bonus

1. Any bonus, including the total amount of all planned installments, that is either greater than 15% of the midpoint of the employee's salary range or exceeds \$20,000.
2. For Cabinet agencies only, any bonus for an exempt policymaking, exempt managerial, exempt chief deputy, exempt confidential assistant, or exempt confidential secretary employee.

In the situations listed above, the proposed incentive bonus must be sent to OSHR for review, but the review step does not mean that OSHR will disapprove the bonus. OSHR review is a way to make sure that policies are being uniformly followed across agencies and that there is solid documentation to support the proposed action.

This flexibility authorization does not affect rules, policies, procedures and flexibility authorization on topics other than classification, setting salaries, and sign-on or retention bonuses. Also, OSHR remains available to provide guidance and consultation, even if the action does not require review and approval by OSHR. Feel free to contact the OSHR team or submit a Smartsheet request with the reason choice of "Consultation Only" on our [Classification Smartsheet](#), [Pay/Leave Exception Request Smartsheet](#), or the [Sign-On and Retention Bonus Smartsheet](#).

For all actions, agencies should continue to solidly document pay, classification, and bonus decisions. The documentation is very important to ensure internal consistency and pay equity between similarly situated employees and to safeguard agency decisions in the event of a challenge. Pay Administration Training, which includes internal pay equity, is available to human resources professionals. Except as stated in this memorandum, all State Human Resources Manual policies and OSHR procedures continue to be in place.

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This memorandum takes effect immediately. Any amendments to this memo must be documented in writing. This flexibility authorization memorandum is effective until otherwise specified.

Thank you for your commitment to a better North Carolina for all.