

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

MEETING MINUTES – JUNE 4, 2015

Members Present

Members present for the meeting were Chair Susan Manning, Commissioner Dan Barrett, Commissioner Martin Falls, Commissioner John Eller, Commissioner Virgie DeVane-Hayes, Commissioner Kelly Sizemore, and Commissioner Phil Strach.

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; Anne Brown, General Counsel to the Commission; Jessica Middlebrooks, General Counsel to Office of State Human Resources; Shari Howard, Rules and Policy Coordinator, Office of State Human Resources; and LaShanda Langley, State Human Resources Commission Administrator, Office of State Human Resources.

Opening

The State Human Resources Commission (SHRC) met on June 4, 2015. 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 9:05am in the Learning and Development Center Commission Conference Room.

Business Session

Adjustments to Agenda

No changes were made to the agenda and the meeting proceeded to the next agenda item.

CONSENT AGENDA ITEMS

1. Approval of Minutes for the April 2, 2015 State Human Resources Commission Meeting
(Commission Action: Motion to Approve Minutes)

Motion: Commissioner Eller made a motion to approve the consent agenda items.

Seconded: Commissioner DeVane-Hayes seconded the motion.

The motion carried.

Public Comment

No one signed up for Public Comment.

Oral Argument

The following case was scheduled and heard for oral argument:

1. Charles Jones v. NC DPS, 07 OSP 2222

Attorney for Petitioner
Attorney for Respondent

John P. O'Hale, Esq.
Tammera S. Hill, Assistant Attorney General

State Human Resources Director Report

Director Neal Alexander thanked the State Human Resources Commission for their dedication and service to the citizens of North Carolina. Director Alexander gave an update on House Bill 495 - OSHR Modernization and Technical Changes, which passed the House and is now on the way to the Senate. Below are highlights of House Bill 495 - OSHR Modernization and Technical Changes that were covered during Director Alexander's update to the State Human Resources Commission:

- Change career status from 24 months to 12 months. Performance Evaluations will be completed during the probationary period so expectations and feedback can be given and understood between the managers and employees
- Removal of prohibition from incentive plans since OSHR will have ongoing compensation plans.
- Reporting requirements for defense or settlement of grievances and lawsuits has been changed from quarterly to annually for administrative purposes.
- A request for the removal of the sunset date for the RTR (Reduction through Reorganization) program so that the program can be extended to Council of State agencies
- A modification to request that SHRC adopt rules and policies governing the salary rights of state employees that have been separated due to a reduction in force (RIF) shall not be paid higher than the maximum salary range
- Section F2 of the house bill states that if an employee is separated by a RIF, they can receive RIF priority rights. If the employee applies for a state position and has received a scheduled interview and does not show up for the interview, then the employee will automatically have to waive their RIF priority rights
- Policy states to hire the most qualified applicant for a position whether the employee is internal or external. The recommendation in House Bill 495 is to have a qualified "pool" of applicants which will give managers the opportunity to look at all candidates that are qualified which will then give the managers a bigger selection of applicants to choose the most qualified
- Section 5.4 of House Bill 495 recommends removing age as a public records information piece
- When managers interview candidates from an applicant pool, OSHR is requesting that agencies can now ask for the candidates last performance evaluation to help in selecting candidates and enhance communications between agencies when employees apply for jobs with other agencies

Special Provisions

- There are 150,000 employees that are covered under the third party administrators' workers compensation contract. The State is currently spending \$85 million a year on workers compensation costs which is highly excessive. The Department of Public Instruction has a separate workers compensation third party administrator and they have spent about \$60 million on workers compensation expenses. There has been discussion on consolidating the workers compensation administrators into one functional area within OSHR. Also, there is a request for a workers compensation line item to be added to the agency budgets. Currently workers compensation is paid from the lapsed salary line item, making it difficult to track the actual costs.
- A recommendation of transferring hearing officers from OAH to report to the SHRC on contested cases was included in the special provisions. 2 ½ hearing officer positions would be based out of OSHR and would report contested case resolution recommendations to the SHRC and then the commission would vote on a decision for the contested case. Chair Manning asked what is the prospect that this item would be approved. Director Alexander stated the approval of this recommendation is not likely.
- A request for money for the performance management program was also included in House Budget Bill.
- Add step salary increases for State Highway Patrol Troopers and a market based salary adjustment by 3% and \$13 million for correctional officers' salary adjustments, along with salary adjustments for the parole commission and funding for market pay increases for auditors in the Department of Revenue
- \$10 million in years 2015/2016 to implement the Compensation Project and \$10 million in years 2016/2017
- 2% salary increase across the board for all employees
- The governor recommendations included a \$10 million salary adjustment fund in the 1st biennium and for the 2nd year a \$72 million line item for implementation of the statewide compensation system project. Also in the 2nd year, a correctional officer salary adjustment was added to move current salaries to where they need to be.

Director Alexander discussed that during the 2014 legislative session a recommendation of obtaining a new applicant tracking system was in the House budget. Director Alexander stated that OSHR is in the process of identifying a new system, however, most systems operate similar to NeoGov, which is the system that the State currently uses. The NeoGov contract can be extended for \$75,000 per year, but that was not approved in the House budget. The recommendation could be included in the Senate budget proposal. If the State does not obtain a new applicant tracking system or approval to extend the NeoGov contract, then the State would revert back to using paper job applications. If the State has to revert back to using paper applications, it would require an increase in staffing to support the increased volume of work. Commissioner Sizemore asked what is the reason for not having an applicant tracking system. Director Alexander stated that there is concern that we are using automatic scoring and leaving out qualified applicants, but the current system does not use automatic scoring. Currently NeoGov uses supplemental questions to determine qualifications, and automatic scoring is not part of the hiring process. Also, this is more of an issue of screening applicants, and not an overall systems issue. The proposed changes in HB 495 to use a qualified pool of applicants, if approved by the Senate, will hopefully improve the process and allow approval of an applicant tracking system.

Classification and Compensation Project Update

Pam Bowling, HR Partner, gave an update on the Classification and Compensation Statewide Project. Chair Manning recognized Ms. Bowling on her upcoming retirement. Ms. Bowling distributed a handout on the Classification and Compensation Statewide Project update. Ms. Bowling gave a brief overview of how the project came about two years ago. The State currently has two compensation systems-- a salary graded system and a career banding system. The career banding system was only partially implemented and was never completed. Maintaining both compensation systems has become very difficult. As a result, it was decided to recommend one unified system for all state employee classification and compensation. The new system will be more market based. OSHR would like to seek funding from the legislature on an annual basis to support the system and upgrade employee salaries to meet the new requirements within the new compensation system rather than simply providing an across the board increase to all employees. The project started with a project management team, including participation by Agency Heads and classification and compensation staff from several departments. Together they updated the vision for classification and compensation. It was agreed that market based pay was the key to the new system and blending the two current systems together would be the first step in the project. One of the first steps taken when starting the Classification and Compensation Statewide Project was to review the current classification system to decide on what changes need to be made in order to unify the two separate systems. Ms. Bowling discussed examples of different job classes and occupations.

Ms. Bowling also stated that two years ago OSHR received monies to purchase two new software programs that would provide automated tools to administer the overall system. One program is Market Pay, which facilitates the review of multiple market surveys and update market rates for the different job classes electronically instead of manually. The program also allows for modeling salary structures to facilitate determining employee salaries and reporting capabilities as well. Classifications are being merged together to facilitate salary administration. The final implementation date for moving employees into new job titles and identifying salaries is June 2016. Also, OSHR is working with OSBM regarding fiscal projections for the implementing a new system. New job families have been added to the BEACON system and OSHR is working with BEST/BEACON daily to get the system updated with the new job information for salary determination. Next OSHR will be working on communication activities regarding the compensation system. There will also be information placed in the OSHR newsletter about the Classification and Compensation Statewide Project. Ms. Bowling also mentioned that a pilot program has been done with several agencies and it went very well. Chair Manning asked what is the PeopleAdmin Software. Ms. Bowling answered it's a software program that allows position information to be stored electronically and facilitates the upload of old job descriptions into the new system. Ms. Bowling stated that the project is on target for the proposed deadlines, and an update will be given to the Commission at the upcoming August 2015 SHRC meeting.

Currently a new compensation system for information technology classes is being developed for ITS and then other agencies and universities will be implemented at a later date. This is part of the overall project for a new Classification and Compensation System. Commissioner Barrett asked what the rationale was for ITS and the new compensation system. Ms. Bowling stated that the IT field is more market based focused and the request came from the General Assembly. Director Alexander stated that there are a large amount of IT jobs in NC.

Complete implementation of the new comp system should happen in June 2016, and OSHR will continue working with agencies and universities on new policies and processes for the new compensation system.

Public Comment and Hearing Officer's Report for Proposed Adoption of Permanent Rules

Shari Howard, OSHR Rules and Policy Coordinator, requested approval that the proposed rules below be approved for adoption as published. Upon approval of the proposed rules by the SHRC, the rules will be filed with the Office of Administrative Hearings, Rules Division, no later than June 22, 2015. The rules will be considered by the Administrative Rules Review Commission at its July 16, 2015 meeting with a proposed effective date of August 1, 2015.

- **25 NCAC .1001 Exempt Priority Reemployment Consideration – Policy and Scope (Amend)**
- **25 NCAC .1003 Agency Responsibilities (Amend)**
- **25 NCAC .1004 Office of State Human Resources Responsibilities (Repeal)**
- **25 NCAC .1005 Mandatory Right To A Position (Repeal)**

Motion: Commissioner Falls made a motion to adopt the proposed rules as published

Seconded: Commissioner DeVane-Hayes 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 and immediately recess to go into Executive Session pursuant to the North Carolina General Statutes §§ 143-318.11(a)(6)(discussion of a public officer or employee), and pursuant to G.S. 143-318.11(a)(1) (for the purpose of “prevent[ing] the disclosure of information that is privileged or confidential pursuant to the law of this State . . .”) and 143-318.11(a)(3) (for the purpose of “consult[ing] with an attorney employed or retained by the public body in order to preserve the attorney-client privilege between the attorney and the public body”).

Motion: Commissioner Eller made a motion to adjourn the business session and go into Executive Session.

Seconded: Commissioner Falls seconded the motion.

The motion was made and carried.

Executive Session

The State Human Resources Commission voted and rendered a decision in the following case:

– **Charles Jones v. NC DPS, 07 OSP 2222**

Attorney for Petitioner
Attorney for Respondent

John P. O’Hale, Esq.
Tammera S. Hill, Assistant Attorney General

Minutes submitted by:

LaShanda Langley, State Human Resources Commission Administrator