



STATE OF NORTH CAROLINA  
OFFICE OF STATE HUMAN RESOURCES  
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GOVERNOR

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STATE HUMAN RESOURCES DIRECTOR

January 28, 2014

**MEMORANDUM**

To: The Honorable Representative Thom Tillis, Co-Chairman  
Joint Legislative Commission on Governmental Operations  
The Honorable Senator Phil Berger, Co-Chairman  
Joint Legislative Commission on Governmental Operations

From: C. Neal Alexander, Director, Office of State Human Resources  
Art Pope, Director, Office of State Budget and Management

Handwritten signatures of C. Neal Alexander, Jr. and Art Pope in blue ink.

Re: Session Law 2013-382/ Reorganization Through Reduction Program Report

Session Law 2013-382, Section 8.3 requires the Office of State Human Resources, in conjunction with the Office of State Budget and Management, to report to the Joint Legislative Commission on Governmental Operations on the Reorganization Through Reduction Program (RTR). RTR is an option available for reorganization and restructuring of the departments and offices listed in G.S. 126-5(d)(1), as amended by Section 4.1 of the act. A report to the Joint Legislative Commission on Governmental Operations is required on three occasions during the year of 2014; please accept this report as the requisite submittal for January 31, 2014.

If you have any questions, please contact Ben Downing, OSHR Legislative Liaison, at (919) 807-4869 or at [benjamin.downing@nc.gov](mailto:benjamin.downing@nc.gov).

# **State of North Carolina**

## **Reorganization through Reduction (RTR) Program**

**As Directed by House Bill 843, Session 2013**

**Status Report as of January 31, 2014**



Prepared by

**Office of State Human Resources**

**In conjunction with**

**Office of State Budget and Management**

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## **I. Reorganization Through Reduction (RTR) Program Overview**

### **A. Background**

Part VIII of the House Bill 834, Session 2013 directed the Office of State Human Resources (OSHR), in conjunction with the Office of State Budget and Management (OSBM), to develop the Reorganization Through Reduction Program (RTR).

House Bill 834 states the following:

#### **PART VIII. REORGANIZATION THROUGH REDUCTION PROGRAM**

**SECTION 8.1.** The Office of State Human Resources, in conjunction with the Office of State Budget and Management (OSBM), may develop the Reorganization Through Reduction Program (RTR). The RTR shall be one option available for reorganization and restructuring of the departments and offices listed in G.S. 126-5(d) (1), as amended by Section 4.1 of this act. The RTR is authorized to serve as an employee volunteer separation program to accomplish reorganization and restructuring needs in the specified departments and offices through policies approved by the State Human Resources Commission (SHRC). The SHRC policy shall detail the following:

- (1) The approach to be used in identifying the organizational units.
- (2) The process for identifying employees who may volunteer.
- (3) The availability of severance and other related assistance.

**SECTION 8.2.** Severance and any other payments made pursuant to the implementation of the RTR program will not exceed funds appropriated for that purpose.

**SECTION 8.3.** This Part is effective when it becomes law and expires June 30, 2014. The Office of State Human Resources and the Office of State Budget and Management shall report to the Joint Legislative Commission on Governmental Operations on January 31, 2014, April 30, 2014, and September 1, 2014.

The Reorganization Through Reduction Program differs from the Reduction-In-Force (RIF) Program in that the RTR separation is voluntary on the part of the employee and the Agency is allowed to repurpose the funds obtained from the separation. The Reduction-In-Force Program is a formalized process to enable the separation of employees, through no fault of their own, resulting from shortage of funds, abolishment of a position, or other material change in duties or organization. In a Reduction-In-Force, the employee receives a severance payment and the Agency loses the position and the funds. (Note, GS 126-8.5 states that severance must be paid if

the RIF results will accomplish economies in the State Budget, and it is up to the Director of the Budget to determine whether that is the case).

## **B. Policy and Program Development**

The RTR Policy and the Program artifacts were developed by the North Carolina Office of State Human Resources (NCOSHR) and the RTR Work Group. The RTR Work Group is comprised of representatives from: North Carolina Department of Health & Human Services, North Carolina Department of Cultural Resources, North Carolina Department of Administration, North Carolina Office of Information Technology Services, NC Department of Commerce, North Carolina Department of Revenue and North Carolina Office of State Human Resources. The RTR Policy and the Program artifacts were reviewed by the RTR Core Group from NCOSHR. The RTR Policy was approved by the State Human Resource Commission on October 17, 2013, and revised at the December 12, 2013 meeting.

## **C. Program Description**

The RTR program is a voluntary employee separation program created by the General Assembly and established under the direction of the Office of State Human Resources to enable an agency to restructure or reorganize to gain financial and/or skill set efficiencies and therefore increase agency effectiveness and achieve agency business needs, objectives and goals. During RTR, an agency is not required to eliminate a position if the agency needs to re-purpose the position to meet agency business needs, objectives and goals. However, the agency may not simply keep the same position performing the same duties as those performed by the position that was vacated during RTR.

If an agency chooses to utilize the RTR program, the Agency Head and Agency Human Resources Director draft the agency's RTR plan based on the agency business needs, objectives, goals and critical skills, which are sent to OSHR to ensure compliance with the RTR policy. If the agency plan is approved, the agency then implements RTR using a defined and specific process in the following order.

- The agency sends the RTR announcement to the affected organizational units.
- Employees in these units will have twenty-one (21) calendar days to decide to participate by signing an RTR Volunteer Separation Request Form which is submitted to the RTR Control Center.
- The agency selects participants and notifies volunteers of acceptance or denial, based on the agency's need for the critical skills identified in the plan. A separation date is set for the employee's last day of work. Employees may be excluded from participation in RTR if they are considered to have work skills critical to the agency's mission ("critical skills employees").

- If selected for participation, the employee receives and signs a Settlement Agreement and Waiver of Claims and receives a separation payment based on the RIF's state policy formula, which is the standard state severance salary formula. In addition, a payment of \$5500 will be added to the separation payment that may be used by the employee after resignation to purchase health insurance.
- If the agency receives more volunteers than needed for the RTR, management may elect to accept additional volunteers if the budget permits.
- If the agency is limited for budgetary reasons to a certain number of volunteers, the agency shall use length of service (greater total state service) as the determining factor in selecting participants.
- If there are fewer volunteers than needed to achieve the goals of the RTR plan, the agency may implement a Reduction in Force (RIF) to proceed with the restructuring and reorganization plans to achieve the approved minimum reductions. The agencies may select employees for RIF to meet the goals, and notifies affected employees.
- OSBM notifies OSHR of fund availability, and OSHR communicates the plan/fund approval/denial to the agency.

#### **D. Role of NCOSC, NCOSBM, DST/RSD**

The North Carolina Office of State Controller (NCOSC) provides the agency data needed for the RTR plan, along with information for OSHR to determine the separation payment for eligible employees.

The North Carolina Office of State Budget and Management (OSBM) notifies OSHR of fund availability needed for the Agency's RTR implementation. OSBM provides approval of funds disbursement.

The North Carolina Department of State Treasurer/Retirement Systems Division (DST/RSD) addresses questions that eligible employees may have related to retirement planning.

#### **E. RTR Control Center**

The RTR Control Center serves as a single point of contact for Agency HR Personnel, Agency RTR Coordinator, RTR Employee Volunteers, NCOSBM, NCOSC and NC State Treasurer/Retirement. Employees that wish to participate in the RTR Program submit their completed Volunteer Separation Request to the RTR Control Center. The RTR Control Center delivers these Agreements to the Agency for approval/denial. Within forty-five days of separation from employment with the State, the employees submit the completed Settlement Agreement/Waiver of Claims to the RTR Control Center. The RTR Control Center then communicates with NCOSBM and NCOSC to process the separation payment during the next payroll cycle.



## **F. Program Timeline, Pilot Project, Phase I and II participants**

Utilization of RTR is permitted by current legislation through June 30, 2014. Under this legislation, OSHR has determined that participating employees must be separated by June 30, 2014.

Participating Agency	Timeline	Status
Pilot Group 1: DOA, Purchasing and Contract	11/12/2013 – 12/31/2013	Complete
Pilot Group 2: DOA, Purchasing and Contract	12/13/2013 – 02/10/2014	In Progress
Phase 1 Agencies: DOA, DCR, OSHR	01/09/2014 – 03/31/2014	In Progress
Phase 2 Agencies: ITS	03/31/2014 – 05/30/2014	Pending
RTR Program ends	06/30/2014	Pending

## **II. NC Department of Administration, Division of Purchasing and Contract Pilot Project**

### **A. Project Plan, Communications and Timeline**

Pilot Agency	Timeline	Status
Pilot Group 1 – NC Department of Administration, Purchasing & Contracts Division )		
• RTR Announcement within the Division	11/12/2013	Complete
• Volunteers submitted RTR Separation Agreements	12/03/2013	Complete
• Finalize participants	12/17/2013	Complete
• Volunteer separation	12/31/2013	Complete
Pilot Group 2 – NC Department of Administration, Purchasing & Contracts Division		
• RTR Announcement within the Division	12/13/2013	Complete
• Volunteers submitted RTR Separation Agreements	01/06/2014	Complete
• Finalize participants	01/07/2014	Complete
• Volunteer separation	01/31/2014	In Progress

### B. Program Results/Findings

Pilot Group 1 Implementation Results	Number of Participants
Participants eligible to volunteers	19
Participants volunteered	11
Participants approved for RTR	8 (7 retirees and 1 regular RTR)
Participants denied for RTR	3 (2 non-eligible to participate, 1 with critical skills)
Participants were selected for RTR RIF	3 (last day of employment 01/17/2014)

### C. Costs/Expenditures

Agency	Costs/Expenditures
DOA Pilot Group 1	\$323,608.18
DOA Pilot Group 2	\$115,502.51

### III. RTR Phase I

Participating Agency	Timeline	Status
<b>NC Department of Cultural Resources (DCR) – 19 participants eligible to participate</b>		
• RTR Announcement within the Division	01/15/2014	Complete
• Volunteers submitted RTR Separation Agreements	02/14/2014	
• Finalize RTR participants	02/21/2014	
• Notify RIF employees, if necessary	03/03/2014	
• RTR Volunteer separation and RTR-RIF separation	04/30/2014	
<b>NC Department of Administration (DOA) – Fiscal Management – 23 participants eligible to participate</b>		
• RTR Announcement within the Division	01/14/2014	Complete
• Volunteers submitted RTR Separation Agreements	02/10/2014	
• Finalize RTR participants	02/12/2014	



• Notify RIF employees, if necessary	02/21/2014	
• RTR Volunteer separation	02/28/2014	
• RTR-RIF separation	03/24/2014	
<b>NC Office of State Human Resources (OSHR) – 65 participants eligible to participate</b>		
• RTR Announcement within the Division	01/15/2014	Complete
• Volunteers submitted RTR Separation Agreements	02/12/2014	
• Finalize RTR participants	02/19/2014	
• RTR Volunteer separation and RTR-RIF separation	06/30/2014	

#### **IV. Conclusions and Recommendations for Phase I and Phase II**

- The RTR Control Center attends the Agency RTR announcement kick off. This practice will help the participating employees put a face with a name, as the employees are required to send the completed forms to the RTR Control Center.
- The RTR Control Center will provide the agency with an information packet to be distributed to eligible employees at the kick-off.
- The agency's Top Level Manager along with the designated HR Professional should meet with critical skill employees one-on-one as this will help address employee's individual concerns.
- The Agency should set the employee's separation date. Setting this date as soon as possible and communicating it to the affected employees will help employees volunteering for the RTR program to make their decision and assist with their post-employment plans.
- The Agency should inform employees that they may contact Garry Austin from DST/RSD for any questions related to retirement.
- The funds saved from the abolition of the position may be repurposed to create new positions to meet agency strategic goals.