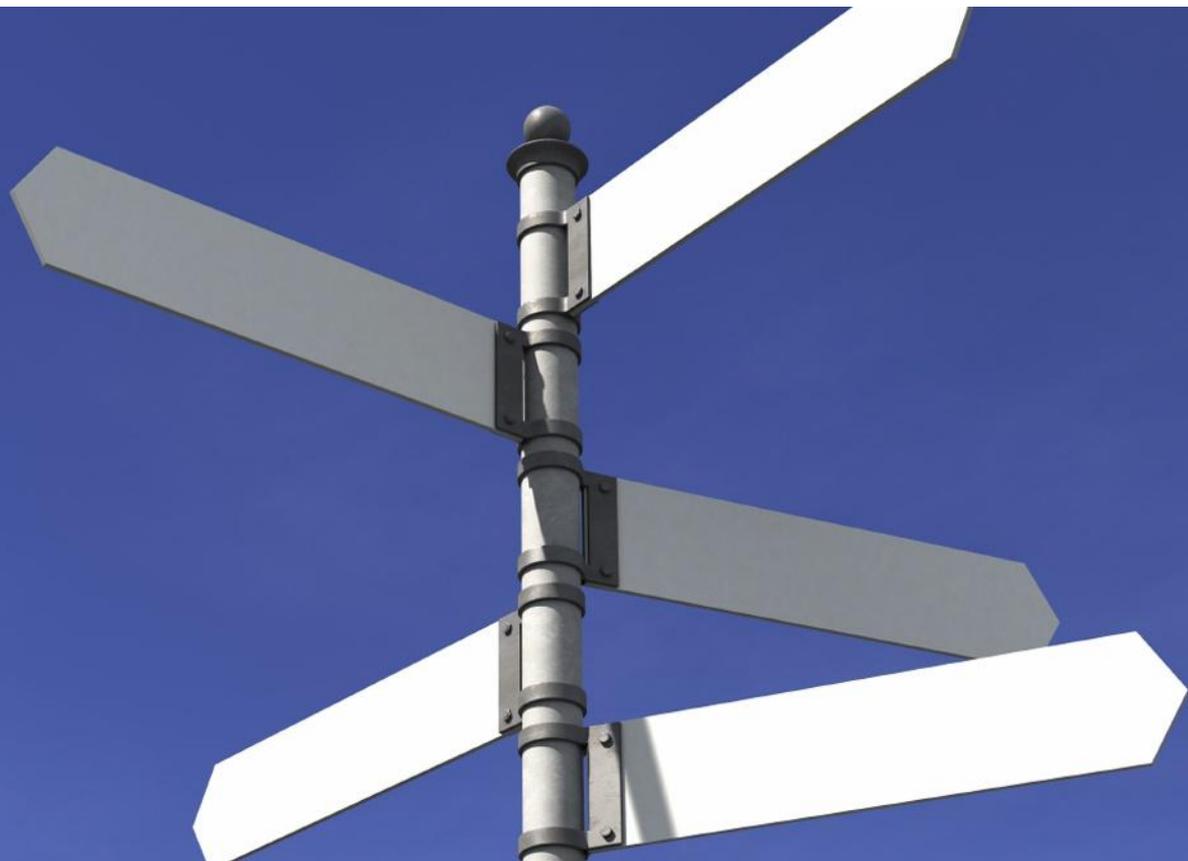


# State of Idaho

Benefits Analysis & Total Compensation Review

Presentation to House Commerce and Human Resources Committee

JANUARY 2013



# Agenda

- 1 Why was the study conducted?
- 2 What does the analysis show?
- 3 What are the key findings?
- 4 Appendices

01

Why was the study conducted?

# Why was the study conducted?

The State of Idaho (the “State”) requested a comprehensive benefits market analysis and a review of the State’s total compensation market position. Specifically, the State asked Hay Group to:

- Provide a detailed benefits analysis including a review of the competitive position in health care, retirement, death benefits, disability, paid time off (sick leave, vacation and holidays) and other benefits relative to general market organizations in Idaho, as well as Nevada, Oregon, Utah and Washington, and public sector organizations in the West, excluding California;
- Conduct a high level review of the State’s total compensation market position, including benefits and salary, based on salary market data provided by the State; and
- Prepare a report and present our key findings on the overall competitiveness of the State’s compensation and benefits program to the legislature.

# Why was the study conducted?

**The findings of the analysis provide the basis for the State to determine:**

- What is the best combination of a salary/benefit mix? How should the State balance being fiscally responsible with maintaining competitiveness in order to attract and retain a quality workforce?
- Where is the State not competitive with the market and what immediate and long-term options should it consider in reorganizing its total compensation mix, in order to position itself as competitive but also fiscally responsible?

02

What does the analysis show?

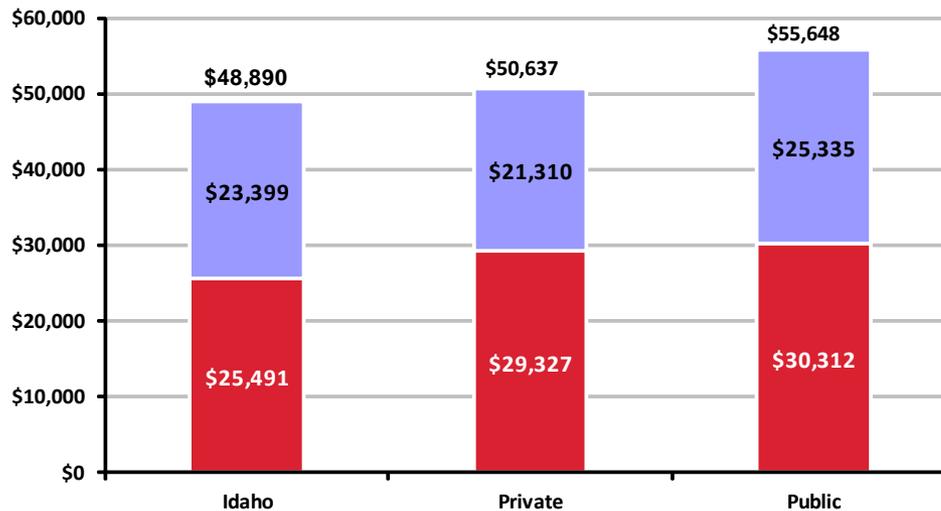
# What does the analysis show?

- The State's **total compensation** program is below market average when compared to both the Private Sector and Public Sector Markets. Below are key findings regarding specific aspects of the State's compensation program:
  - **Cash compensation** for State employees lags the Private Sector by an average of 29%. The State generally trails their counterparts in other States by an average of 10%
  - **Benefits** are at or above the market average of both markets for all employees driven by strong retirement and health care programs
  - **Total Compensation** is below the market average in the Private and Public Sector Markets, as the higher benefits program value does not offset the low cash compensation.
  - **Pay Mix** for State employees varies against the market depending on salary.
  - **Note:** Only those components of pay provided by the State are included in total compensation. It is common in the private sector to pay annual incentives, which if included would make the State less competitive relative to the Private Sector Market

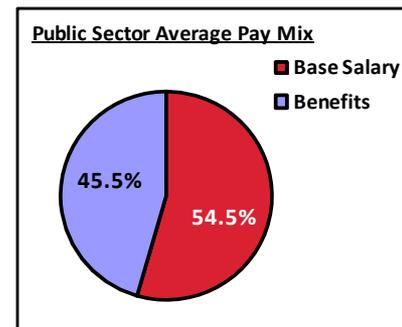
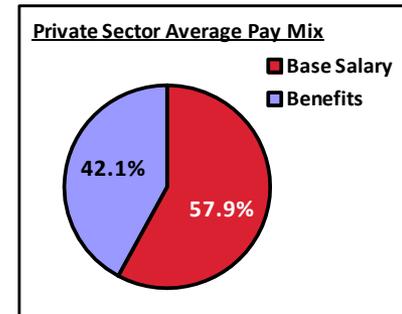
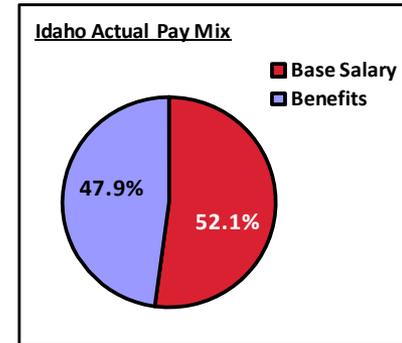
# Market Competitiveness – Total Compensation

## STATE OF IDAHO VS. GENERAL/PUBLIC SECTOR MARKET

### Salary Increment (\$19,000 - \$29,000)



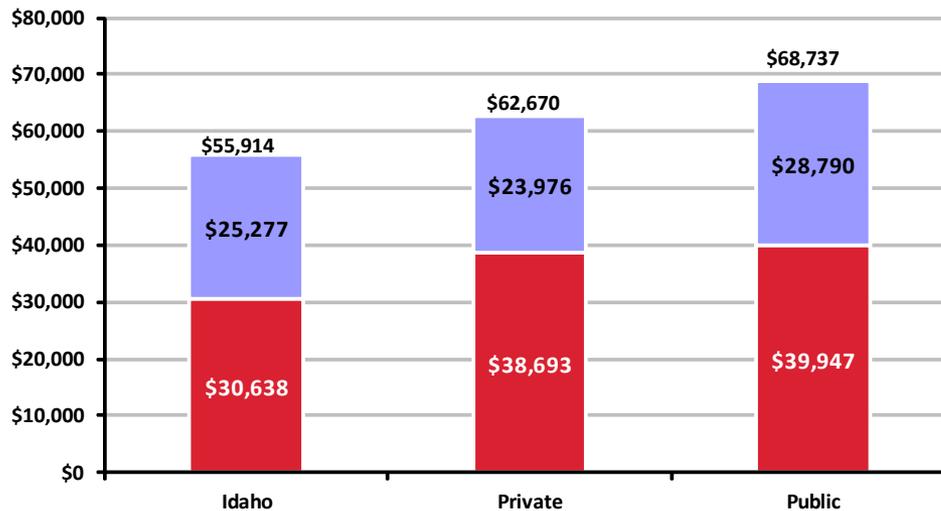
	Idaho	Private	Public
Base Salary	\$25,491	\$29,327	\$30,312
Benefits	\$23,399	\$21,310	\$25,335
Total Remuneration	\$48,890	\$50,637	\$55,648



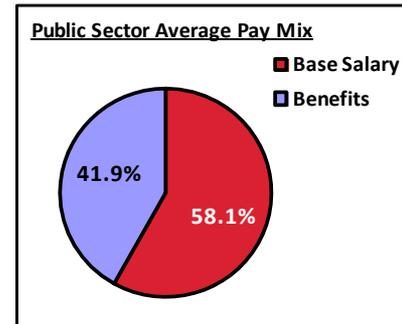
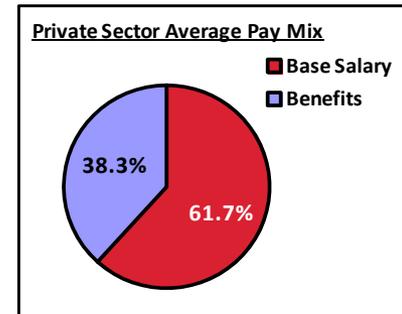
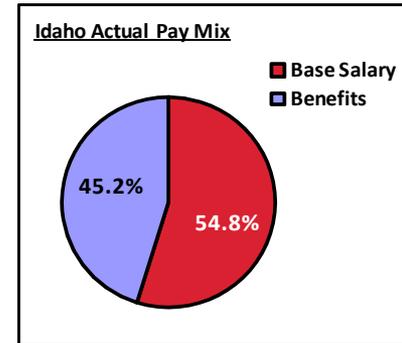
# Market Competitiveness – Total Compensation

## STATE OF IDAHO VS. GENERAL/PUBLIC SECTOR MARKET

### Salary Increment (\$29,001 - \$34,000)



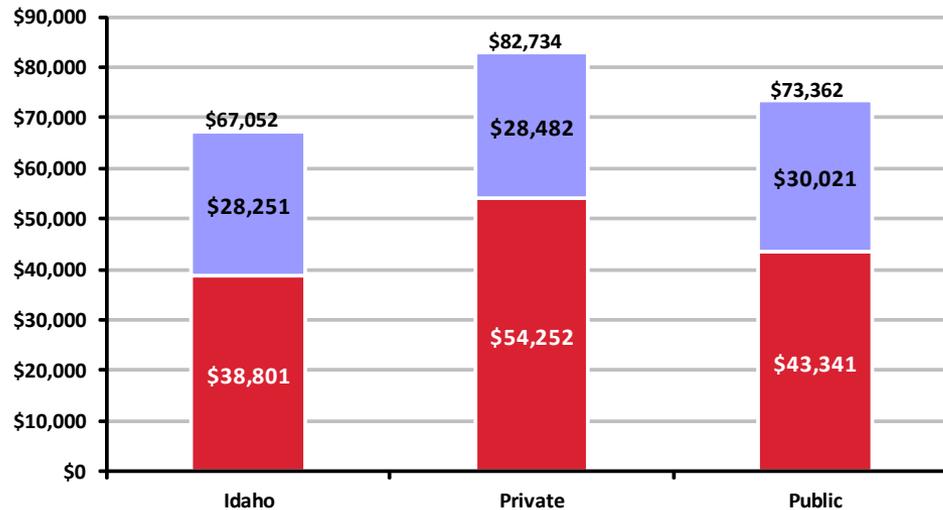
	Idaho	Private	Public
<b>Base Salary</b>	\$30,638	\$38,693	\$39,947
<b>Benefits</b>	\$25,277	\$23,976	\$28,790
<b>Total Remuneration</b>	\$55,914	\$62,670	\$68,737



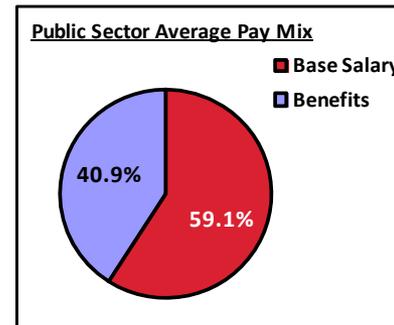
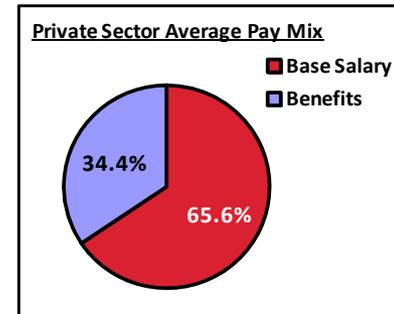
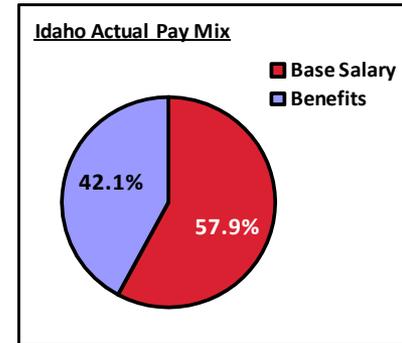
# Market Competitiveness – Total Compensation

## STATE OF IDAHO VS. GENERAL/PUBLIC SECTOR MARKET

### Salary Increment (\$34,001 - \$46,000)



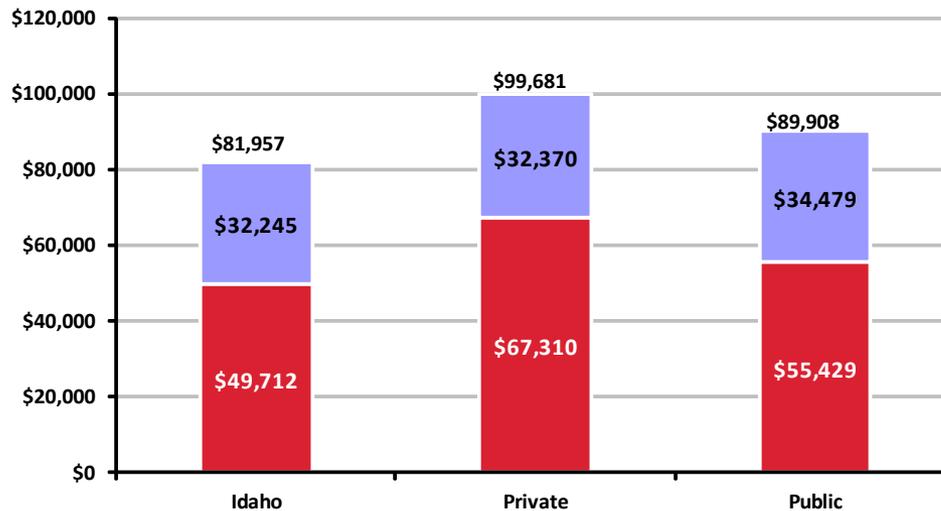
	Idaho	Private	Public
<b>Base Salary</b>	\$38,801	\$54,252	\$43,341
<b>Benefits</b>	\$28,251	\$28,482	\$30,021
<b>Total Remuneration</b>	\$67,052	\$82,734	\$73,362



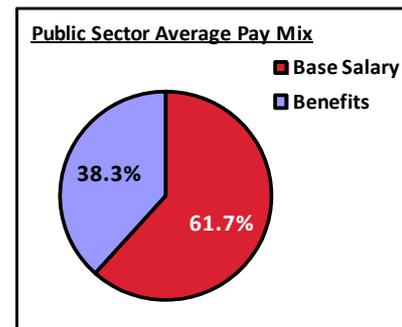
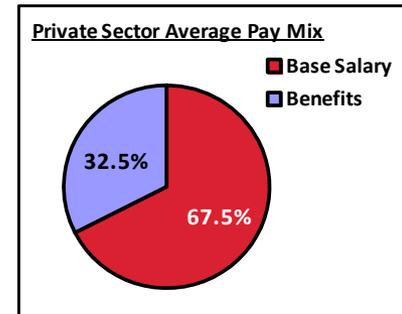
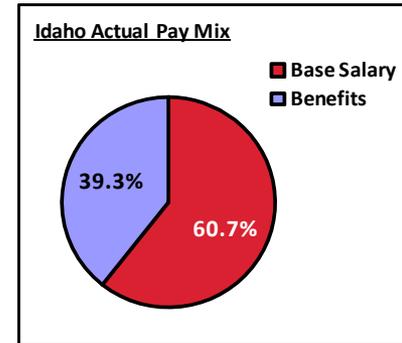
# Market Competitiveness – Total Compensation

## STATE OF IDAHO VS. GENERAL/PUBLIC SECTOR MARKET

### Salary Increment (\$46,001 - \$56,000)



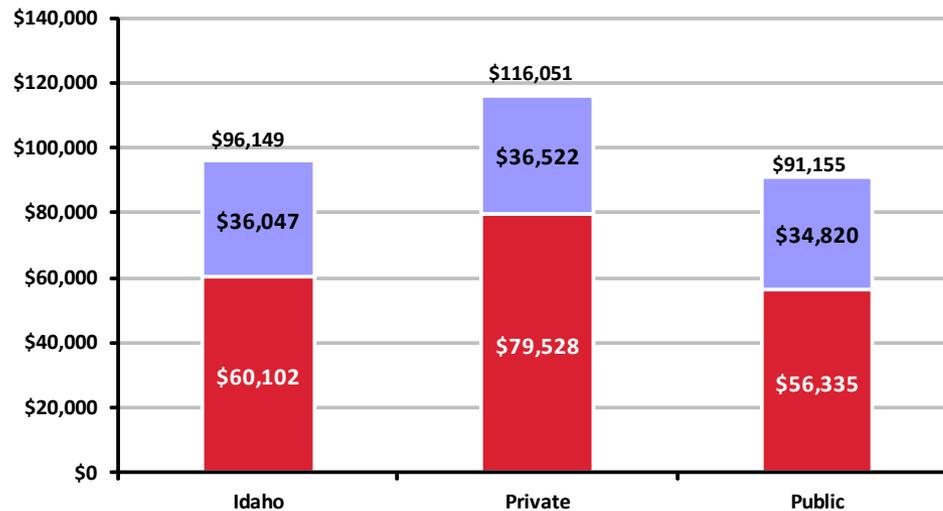
	Idaho	Private	Public
<b>Base Salary</b>	\$49,712	\$67,310	\$55,429
<b>Benefits</b>	\$32,245	\$32,370	\$34,479
<b>Total Remuneration</b>	\$81,957	\$99,681	\$89,908



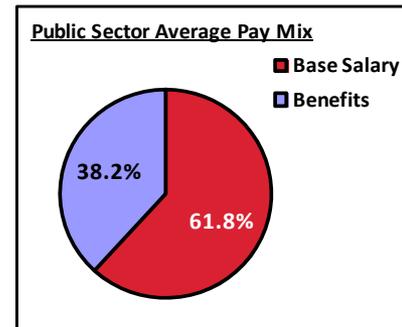
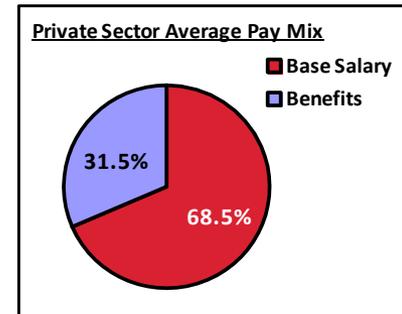
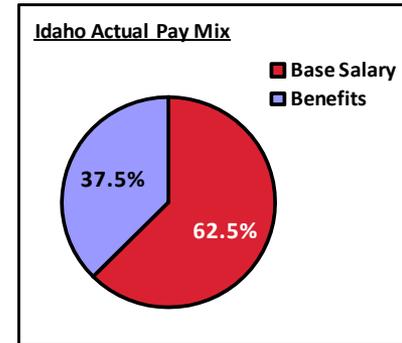
# Market Competitiveness – Total Compensation

## STATE OF IDAHO VS. GENERAL/PUBLIC SECTOR MARKET

### Salary Increment (\$56,001 - \$66,000)



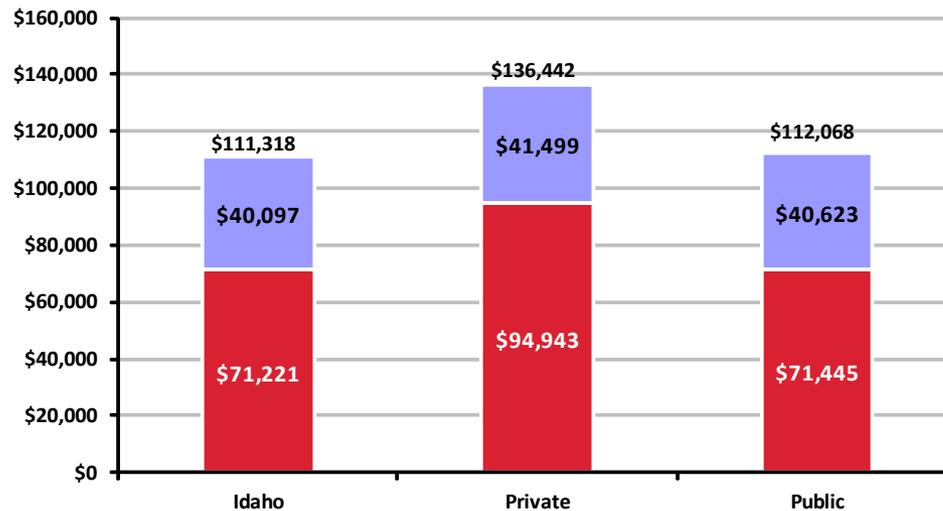
	Idaho	Private	Public
<b>Base Salary</b>	\$60,102	\$79,528	\$56,335
<b>Benefits</b>	\$36,047	\$36,522	\$34,820
<b>Total Remuneration</b>	\$96,149	\$116,051	\$91,155



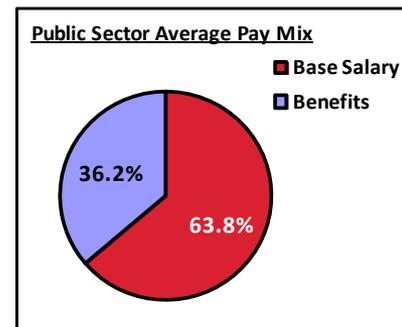
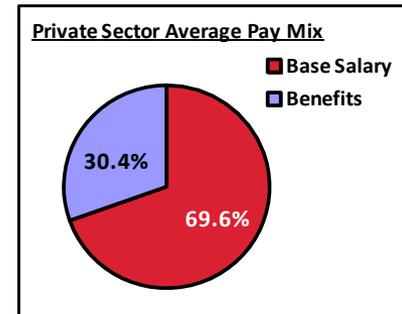
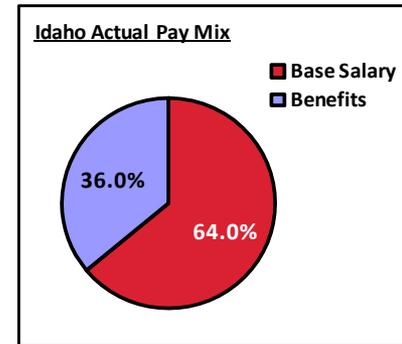
# Market Competitiveness – Total Compensation

## STATE OF IDAHO VS. GENERAL/PUBLIC SECTOR MARKET

### Salary Increment (\$66,001 - \$75,000)



	Idaho	Private	Public
<b>Base Salary</b>	\$71,221	\$94,943	\$71,445
<b>Benefits</b>	\$40,097	\$41,499	\$40,623
<b>Total Remuneration</b>	\$111,318	\$136,442	\$112,068



# Market Competitiveness – Salary

## Pay level increments for total compensation comparison

Pay Level Increments	Idaho Employees		Idaho Weighted Salary	Private		Public	
	#	%		Weighted Salary	Idaho % Diff	Weighted Salary	Idaho % Diff
\$19,000 - \$29,000	1720	26.5%	\$25,491	\$29,327	-13%	\$30,312	-16%
\$29,001 - \$34,000	1734	26.7%	\$30,638	\$38,693	-21%	\$39,947	-23%
\$34,001 - \$46,000	1644	25.3%	\$38,801	\$54,252	-28%	\$43,341	-10%
\$46,001 - \$56,000	1011	15.6%	\$49,712	\$67,310	-26%	\$55,429	-10%
\$56,001 - \$66,000	295	4.5%	\$60,102	\$79,528	-24%	\$56,335	7%
\$66,001 - \$75,000	84	1.3%	\$71,221	\$94,943	-25%	\$71,445	0%

# Market Competitiveness – Salary

**Based on the market data sources used for this analysis, the findings are as follows:**

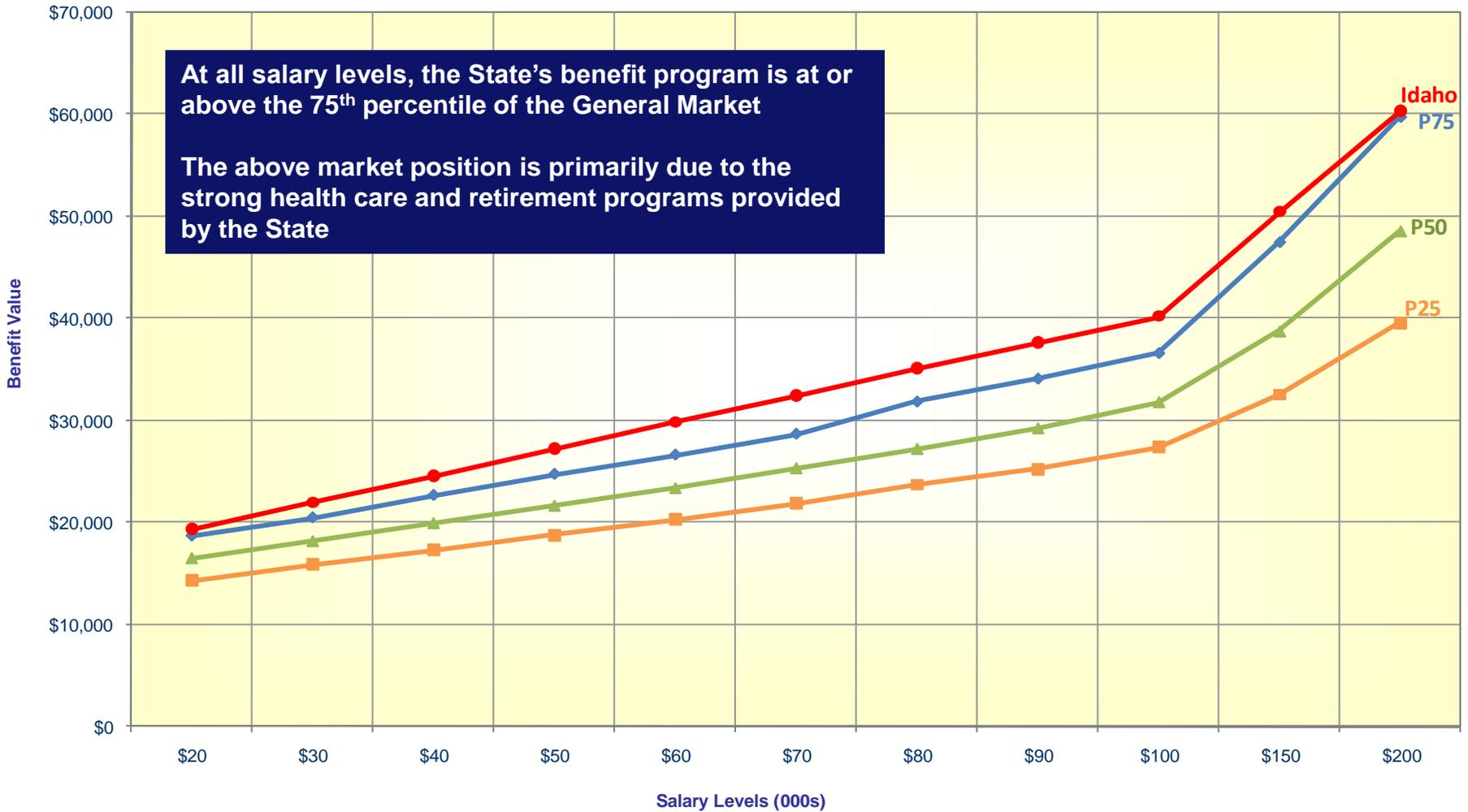
- Average actual pay for State employees (not weighted by incumbent) is approximately 29% below the private sector market average
- The State's policy is 20% below the private sector market average
- Average actual pay for State employees is approximately 10% below the public sector market average
- The State's policy is 2% above the public sector market average
- These results are based on Hay Group's analysis of external survey data provided and compiled by the State of Idaho

# General Market Competitiveness – Benefits

EMPLOYER PAID TOTAL BENEFITS VALUES – Salary Levels \$20,000 - \$200,000 General Market

At all salary levels, the State's benefit program is at or above the 75<sup>th</sup> percentile of the General Market

The above market position is primarily due to the strong health care and retirement programs provided by the State



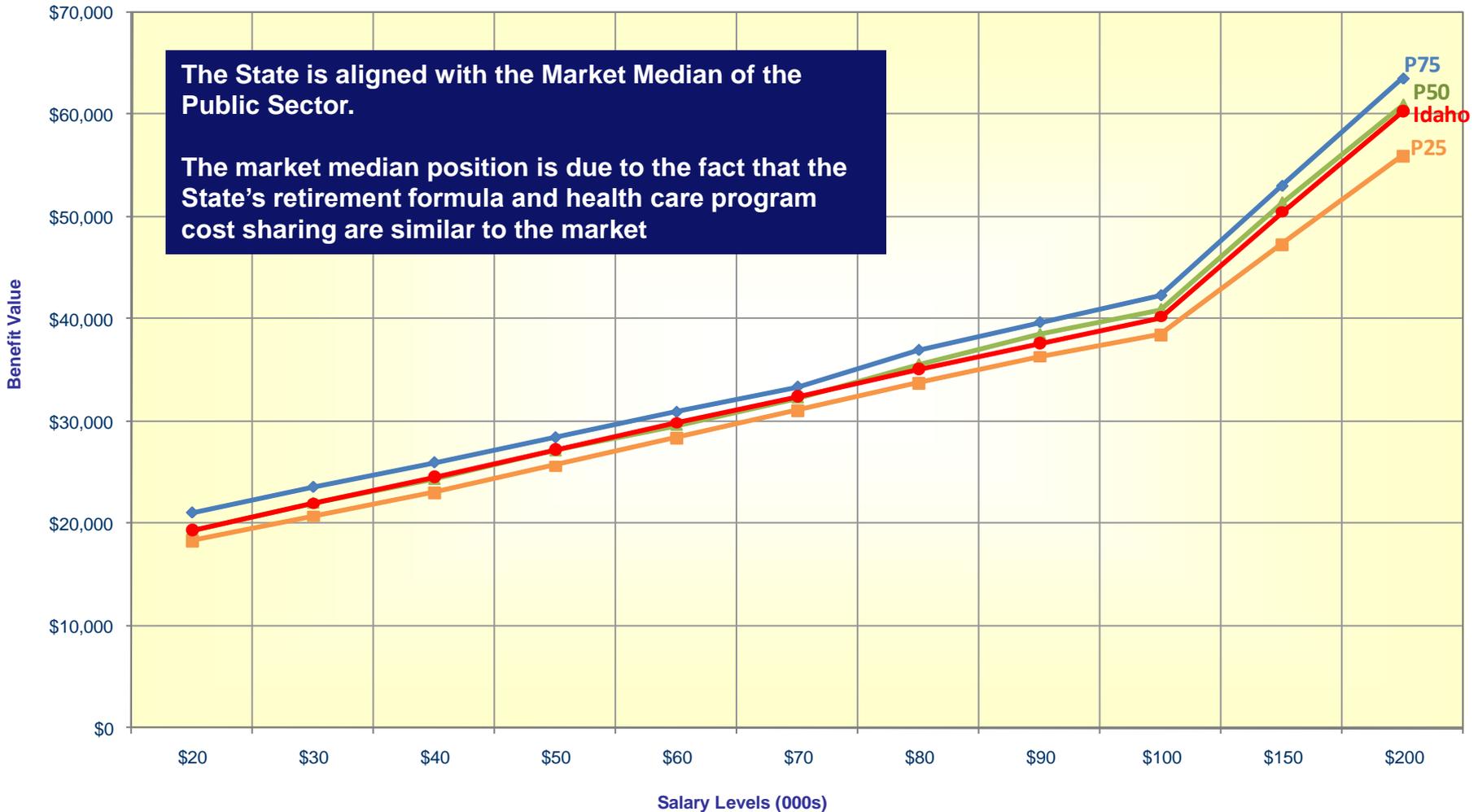
# General Market Competitiveness – Benefits

## STATE OF IDAHO VS. GENERAL MARKET

Benefit Area	Market Comparison	Key Findings
Total Benefits	P75	Market position is driven primarily by the retirement and health care benefits. Benefits that are a direct function of pay and have a higher likelihood of being utilized determine overall program value.
Health Care	P75	The State's lower premium cost sharing is the primary driver of the above market position relative to the General Market. Deductibles, out of pocket maximums, copayments, etc. are within market norms.
Retirement	Above P75	The defined benefit plan with a 2% formula puts the State well above typical General Market practice, where defined contribution plans are more prevalent.
Death	Below P25	The State's basic death benefit of 1 times salary is aligned with typical General Market practice, however, the limited supplemental benefits decreases overall value
Disability	Above P75	The combination of sick leave (with no maximum accrual) and employer paid Short Term Disability (STD) coverage, puts the State above the General Market, where more limited sick leave is typical along with employer paid STD coverage.
Other	Below P25	The State provides access to medical and dependent care spending accounts, but does not contribute toward programs such as tuition reimbursement or commuting assistance, resulting in a below market position in this category.
Holiday/ Vacation	N/A	Holiday and vacation is excluded from benefit values so time off is not double counted as a benefit and as part of salary

# Public Sector Market Competitiveness – Benefits

EMPLOYER PAID TOTAL BENEFITS VALUES – Salary Levels \$20,000 - \$200,000 Public Sector Market



# Public Sector Market Competitiveness – Benefits

## STATE OF IDAHO VS. PUBLIC SECTOR MARKET

Benefit Area	Market Comparison	Key Findings
Total Benefits	P50	Market position is driven primarily by the retirement and health care benefits. Benefits that are a direct function of pay and have a higher likelihood of being utilized determine overall program value.
Health Care	P50	The State's premium cost sharing as well as deductibles, out of pocket maximums, copayments, etc. are aligned with typical Public Sector practice.
Retirement	P50	The State's defined benefit plan is aligned with the public sector. The 2% benefit plan formula is slightly above the average of 1.88%.
Death	Varies by Salary	The State's basic death benefit of 1 times salary is not the prevalent plan design for Public Sector organizations, which results in a below P25 position for lower paid employees and an above market median position for higher paid employees. Typical design is a flat dollar benefit of \$40-\$50K.
Disability	Above P75	The combination of sick leave (with no maximum accrual) and employer paid Short Term Disability (STD) coverage, puts the State above the Public Sector, where employee paid STD coverage is more prevalent.
Other	Below P25	The State provides access to medical and dependent care spending accounts, but does not contribute toward programs such as tuition reimbursement or commuting assistance, resulting in a below market position in this category.
Holiday/Vacation	N/A	Holiday and vacation is excluded from benefit values so time off is not double counted as a benefit and as part of salary

# Local Market Competitiveness – Benefits

- Although Ada County and Boise City are not included in the Public Sector Market group, Hay Group reviewed their benefit programs in order to provide a high level comparison to the State's programs.
- **Retirement** – The County and Boise both participate in PERSI, so the retirement benefit is the same; however, the County also makes a 3% matching contribution to a 457 plan, which enhances its total retirement plan value relative to the State
- **Health Care** – The County requires lower plan design cost sharing, but higher premium contributions than the State. The City provides a fixed contribution to employees depending on their coverage tier, to purchase medical, dental, vision and other coverage. The State compares favorably with both the County and City
- **Disability** – The County provides employer paid STD coverage, however, LTD coverage is employee paid. The City does not provide STD coverage, but provides a 40% LTD benefit that is employer paid. The State's program is more competitive than the County and City
- **Death** – The City provides a flat dollar benefit of \$10,000, which is below the State's benefit level, while the County provides a 1 times salary benefit up to \$50,000, which is aligned to the State's benefit

03

What are the key findings?

# What are the key findings?

- Although this analysis shows the State's aggregate salary market position is 29% behind the private sector market, the State does not need to increase salary on this scale to improve the market competitiveness of its total compensation
  - The State should consider strategic salary increases of approximately 3% to improve competitiveness and help attract and retain employees in key jobs
  - Additionally, adjustments to the salary structure that increase the minimum, midpoint and maximum, will improve competitiveness and the State will be better positioned to attract employees in the future
  - When viewed in the context of total compensation, the strength of the State's benefits program offsets some of the impact of the below market salary position, but not all. As a result, salary adjustments will have the greatest impact on improving the State's total compensation market position
- No significant changes to benefits programs are suggested at this time
  - The Department of Administration (Group Insurance) and PERSI are well managed, cost efficient programs that provide competitive benefits to employees

04

Appendices

A

Process and methodology

# Process

**The following steps have been undertaken to achieve the State's project objectives:**

- Initial planning and scoping meeting;
- Mutual agreement on the market comparator group
- Collection of current State of Idaho benefits data
- Collection of appropriate salary data (State and Market);
- Analysis of benefits data;
- Analysis of salary data
- Review of total compensation; and
- Presentation of findings to key stakeholders

# Process

## Market Comparator Group

- Benefits analysis:
  - General Market – General market organizations with employees in the State of Idaho, as well as Nevada, Oregon, Utah and Washington contained in our current benefits database
  - Public Sector Market – Public sector organizations (states, counties, cities, etc.) in the West, excluding California
- Given the changing workforce demographics and increased mobility it is important to compare to a broad market of organizations (both public and private sector) as it represents the State's employee talent pool

# Process

## Market Comparator Group

### ■ Salary analysis:

- Western Management Group (January 2012)
- Milliman Health Survey (January 2012)
- Milliman Management Professional Survey (May 2012)
- Milliman IT Survey (July 2012)
- NCASG – 8 Western States (July 2012)

### ■ All data are effective or projected to July 2012 based on a 2.5% annual salary trend that combines both public and private sector salary data and is based on the following:

- The World at Work 2012 Salary Budget Survey reports Median 2012 salary increase budget of 2.0% for Public Administration and 3.0% for All Industries (private sector)
- Hay Group's General Industry survey (primarily private sector) reports 3.0% for 2012 actual salary budget increases.

# Definition of terms

The following terms are used when making comparisons of the State of Idaho to the market:

<b>P25</b>	P25 is the 25th Percentile, meaning that 75% of the market data is above this point, and 25% is below
<b>P50 / Median</b>	P50 is the Median, meaning that 50% of the market data is above this point, and 50% is below
<b>P75</b>	P75 is the 75th Percentile, meaning that 25% of the market data is above this point, and 75% is below
<b>Weighted Average</b>	Average salary by job that takes into consideration the number of employees in a particular job. The more incumbents in a job, the more “weight” the average salary for that position will have in the calculation

# Methodology: Hay Benefit Valuation Methodology

- Hay Group utilizes a proprietary actuarial valuation methodology to evaluate benefit plans in terms of the cash equivalence of the benefits.
- In establishing a program's overall market competitiveness the Hay Benefit Valuation model uses "standard cost assumptions", instead of a company's specific costs, which eliminates the impact of such cost variables as demographics, geography, funding method, or purchasing power, etc.
- The utilization of "standard or common cost assumptions" provides a uniform quantitative evaluation method which produces values based solely on the level of the benefit provided.
- The valuation model places a relative value on each specific feature of a benefit program. The value for each plan is then compiled to produce an overall program value appropriate for market comparison. In general, the more generous a particular feature is the higher the relative value.
- The valuation method is applied to a full range of employee benefits including: Healthcare Insurance, Retirement Plans, Death Benefits, Disability and Sick Leave, and Other benefits.

# Methodology: Hay Benefit Valuation Methodology

- Benefit values are calculated on an “Employer-paid” basis. Employer- paid benefit values are discounted to reflect the relationship of any required employee contributions to the program’s total value. For fully employee-paid plans, the discount is 95% (some value remains due to such things as group purchasing power, etc.). For fully employer-paid plans, there is no discount, and for cost shared plans, a pro-ration is applied.

## Internal Equity

- Internal equity is the inter-relationship between reward opportunities within an organization. Many benefit plans (death benefits, disability, retirement, etc.) have features or benefit levels that are related to salary. Internal equity is achieved in a benefit program when the relationships between the benefit level and the employee salary are consistent within each employee population
- Organizations that wish to achieve internal equity within a benefit plan typically establish benefit levels that are based on uniform salary multiples (i.e. death benefits of one times salary or disability income replacement level of 60% of salary).
- In order to observe the internal equity of an employee benefits program, benefit values are typically illustrated at several salary levels. For this review of benefits, values are shown for salaries from \$20,000 to \$200,000.

B

Benefits Participant Lists

# General Market Organizations – ID, NV, UT, WA

- 7-Eleven
- Abercrombie & Fitch
- Ace Hardware
- AES
- Agrium
- Air Liquide America
- Akzo Nobel
- Alexander & Baldwin
- Amazon.com
- American Eagle Outfitters
- Andersons, The
- Anheuser-Busch InBev -- Anheuser-Busch
- Aptalis Pharma
- Asante Health System
- Ascension Health
- Ashland
- ASML
- AutoZone
- Bacardi Limited -- Bacardi
- Baker Petrolite
- BASF
- Battelle Energy Alliance
- Big-D Construction
- Boston Market
- Bridgestone Americas
- Buffets
- Build A Bear Workshop
- Burger King
- Cargill
- Carson Tahoe Regional Healthcare
- Carter's
- Caterpillar
- Catholic Health Initiatives
- Catholic Healthcare West
- CBRL Group -- Cracker Barrel Country Store
- CEC Entertainment
- Centene
- CF Industries
- Champion Technologies
- Charlotte Russe
- Cheesecake Factory
- CHI - St. Joseph's Health System
- Chico's
- Children's Place, The
- Chipotle Mexican Grill
- Chiquita Brands International
- CNH Global
- Coach
- Coca-Cola
- Coldwater Creek
- Collective Brands
- Colvin Engineering
- ConAgra Foods
- Coventry Health Care
- CUNA Mutual Group

# General Market Organizations – ID, NV, UT, WA

- CVS
- Cytex Industries
- Daiichi Sankyo
- Darden Restaurants
- Day & Zimmermann
- Deere
- Department of Veterans Affairs
- Diasorin
- Dick's Sporting Goods
- Domino's Pizza
- Dow Chemical
- Dunkin' Brands
- Dyno Nobel
- Einstein Noah Restaurant Group
- El Pollo Loco
- Evonik Degussa
- Express
- Express Scripts
- FBL Financial Group
- FC Organizational Products
- Ferrero USA
- Fired Up -- Johnny Carino's Italian
- FM Global
- FMC
- Fossil
- Foster's Group -- Foster's Wine Estates Americas
- Fuller (H.B.)
- Galderma Laboratories
- Georgia Gulf
- Golden Corral
- Graceway Pharmaceuticals
- Gruma Corporation -- Mission Foods
- Hallmark Cards
- Hard Rock Café
- HCA - Mountain Division
- HCA Healthcare -- Wesley Medical Center
- Health Net
- Heineken USA
- Helzberg Diamonds
- Hershey Foods
- Hilti -- US
- Home Depot
- Hot Topic
- Huntsman
- ICL
- Ingersoll-Rand
- Intermountain Healthcare
- INVISTA
- Iowa Farm Bureau Federation
- Jack in the Box
- jcpenny
- Joe's Crab Shack
- Johnny Rockets
- Joy Global

# General Market Organizations – ID, NV, UT, WA

- Kaiser Foundation Health Plan
- Kansas City Life Insurance
- Kohl's
- LANXESS
- Lehigh Hanson -- Building Materials America
- Limited Brands
- Limited Stores
- Livingston International
- Lonza
- LVMH Moet Hennessy Louis Vuitton -- Moet Hennessy
- MacDermid
- Margaritaville
- Matthews International
- McDonald's
- Mellor Engineering
- Merit Energy
- Mitsubishi International
- Momentive Specialty Chemicals
- Moog
- Morton's Restaurant Group
- MultiCare Health System
- Newark InOne
- Noodles & Company
- Nordstrom
- NPC -- Pizza Hut
- Office Depot
- OfficeMax
- P.F. Chang's China Bistro
- Panera Bread
- Papa John's International
- Patina Restaurant Group
- Penske Truck Leasing
- Perkins Restaurant & Bakery
- Pernod Ricard SA -- Pernod Ricard USA
- Philips Electronics -- Phillips
- Consumer Electronics
- Phillips-Van Heusen
- Pier 1 Imports
- Pioneer Hi-Bred International
- PRA International
- Praxair
- Premera Blue Cross
- Premier
- Questar
- Ralph Lauren
- Real Mex Restaurants
- Recreational Equipment
- Restaurants Unlimited
- RGA Reinsurance
- Rhodia
- Ritchie Bros. Auctioneers
- Rock Bottom Restaurants
- Ruby Tuesday
- Ruth's Chris Steak House

# General Market Organizations – ID, NV, UT, WA

- SABIC Innovative Plastics
- Safeway
- Sanofi-Aventis
- Sazerac
- Scripps Health
- Sears
- Securian
- Shopko
- Skyy Spirits
- Solvay America -- Solvay North America
- Southwest Gas
- Southwest Washington Medical Center
- Stage Stores
- Staples
- SUPERVALU
- Taco John's International
- Takeda Pharmaceuticals North America
- Target
- Texas Roadhouse
- TJX
- Toys R Us
- Tronox
- Tween Brands
- United Water
- UnitedHealth Group
- Voith - Voith Hydro
- Wendy's / Arby's Group -- Arby's
- William Grant & Sons
- Williams Companies
- Workers Compensation Fund
- World Vision
- Yum!
- Zep

# Public Sector Organizations – West

- Campbell County School District #1
- City of Bountiful, UT
- City of Colorado Springs, CO
- City of Denver, CO
- City of Gillette, WY
- City of Jackson, WY
- City of Las Vegas, NV
- City of Ogden City, UT
- City of Pasco, WA
- City of Portland, OR
- City of Renton, WA
- City of Rock Springs, WY
- City of Salt Lake, UT
- City of Seattle, WA
- City of Seattle, WA - Seattle Public Utilities
- City of Tucson, AZ
- Colorado PERA
- County of Franklin, WA
- County of King, WA
- County of Kittitas, WA
- County of Klickitat, WA
- County of Laramie, WY
- County of Pierce, WA
- County of Snohomish, WA
- County of Whitman, WA
- Davis County Personnel
- Federal Government
- Fremont County School District #21
- Granite School District
- Jordan Valley Water Conservancy District
- Laramie County Community College
- Maricopa County Community College District
- Montana State Fund
- Natrona County School District
- New Mexico State University
- Platte River Power Authority
- Port of Portland, OR
- Salt Lake County Human Resources
- Sierra Southwest Co-Op Services

# Public Sector Organizations – West

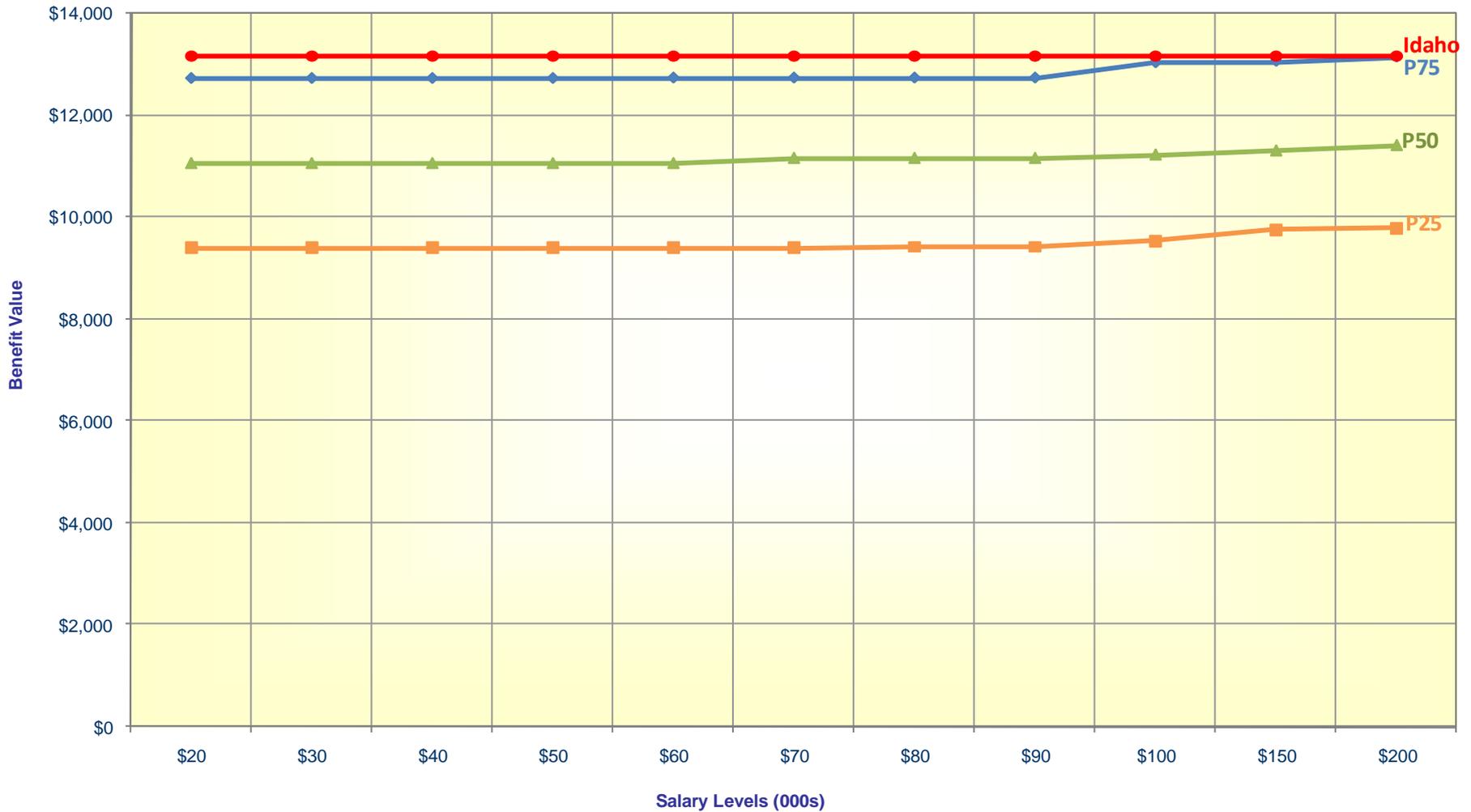
- State of Arizona
- State of Colorado
- State of Montana
- State of Nevada
- State of New Mexico
- State of Oregon
- State of Utah
- State of Washington
- State of Wyoming
- Unified Police Department of Greater Salt Lake
- University of Utah
- University of Wyoming
- Utah County Government
- Utah Retirement Systems
- Utah System of Higher Education
- Utah Valley University
- Weber State University
- Western Wyoming Community College

C

# Benefits Value Comparison Charts – General Market

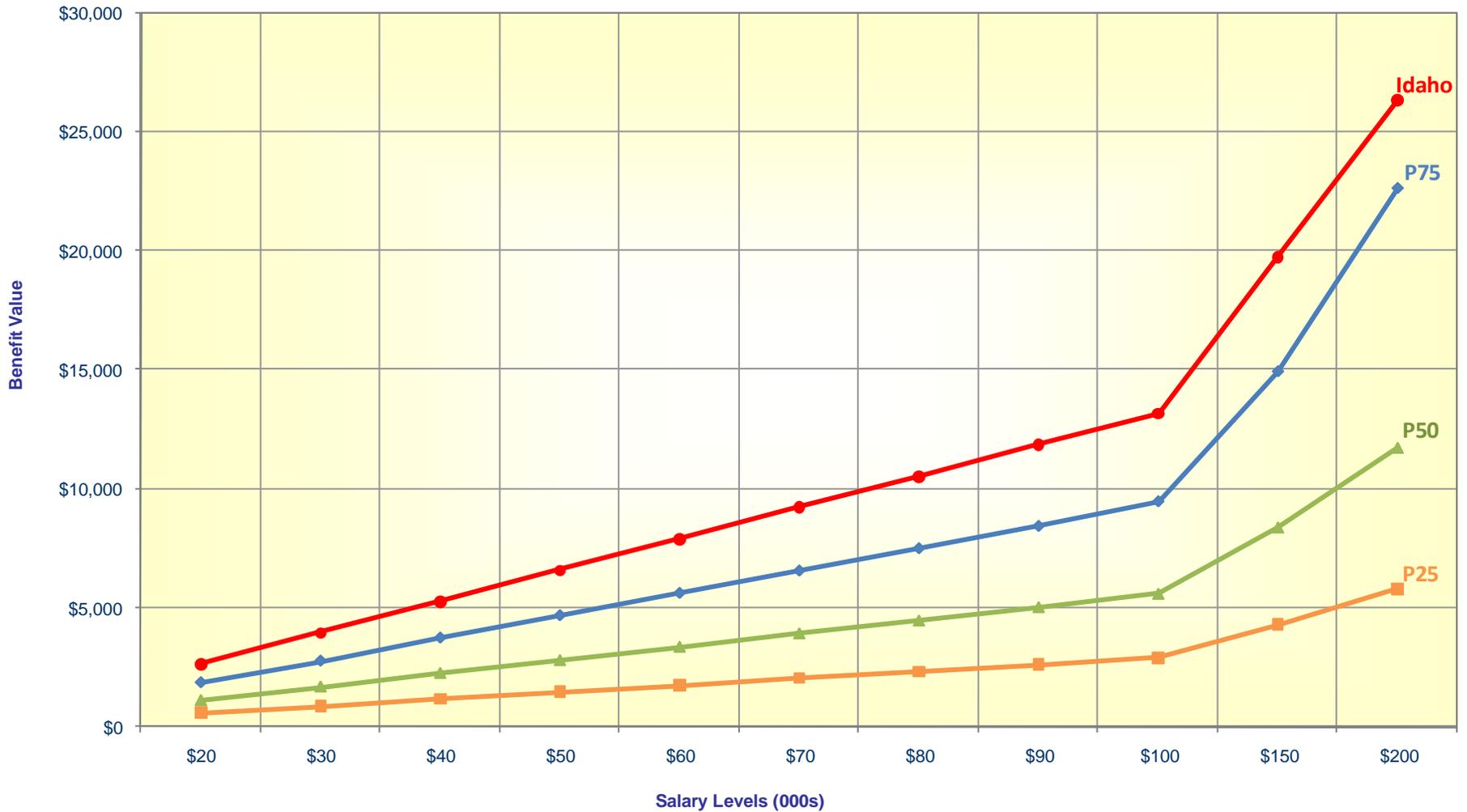
# Benefit Value Charts – General Market

## EMPLOYER PAID HEALTH CARE VALUES – Salary Levels \$20,000 - \$200,000



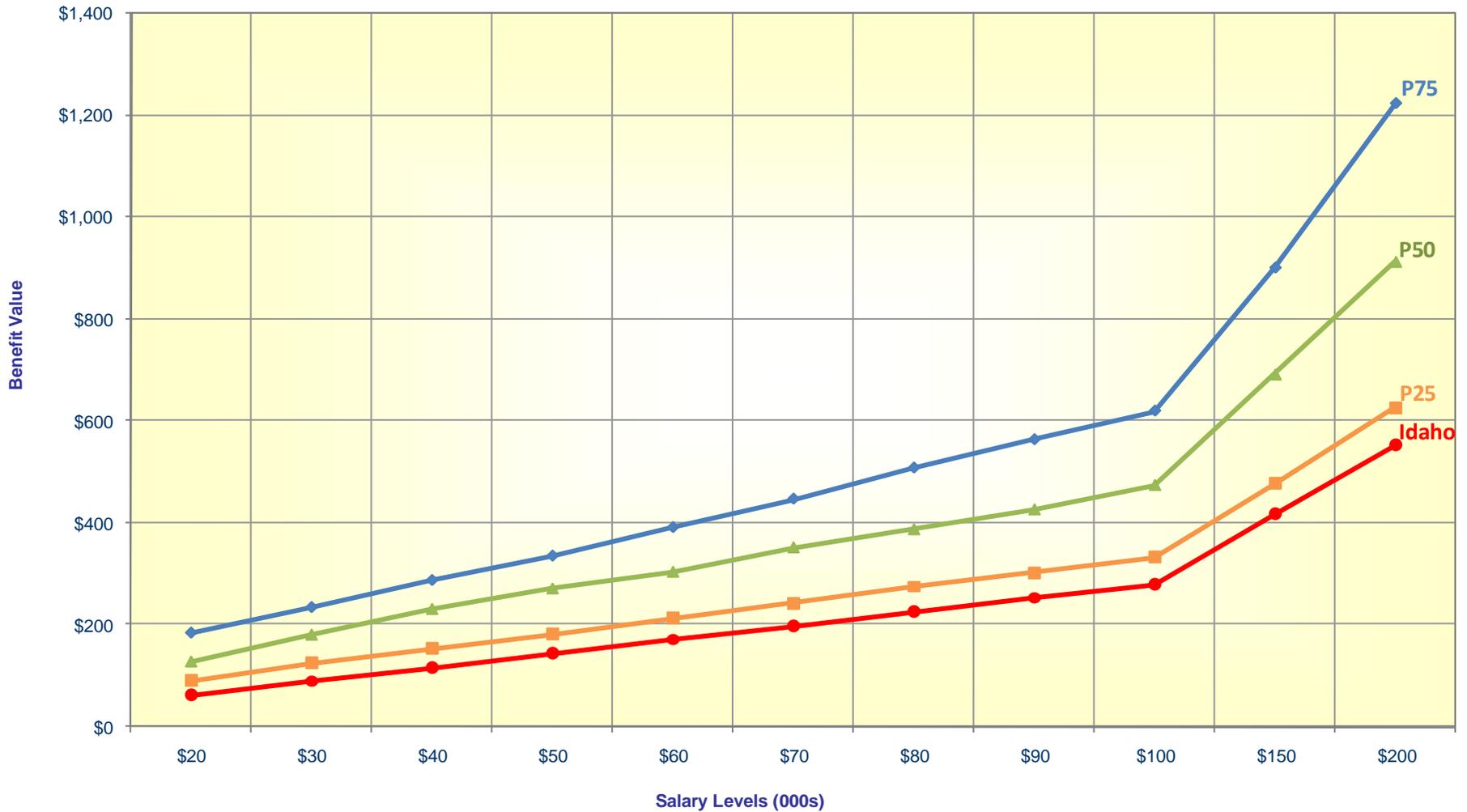
# Benefit Value Charts – General Market

## EMPLOYER PAID RETIREMENT VALUES – Salary Levels \$20,000 - \$200,000



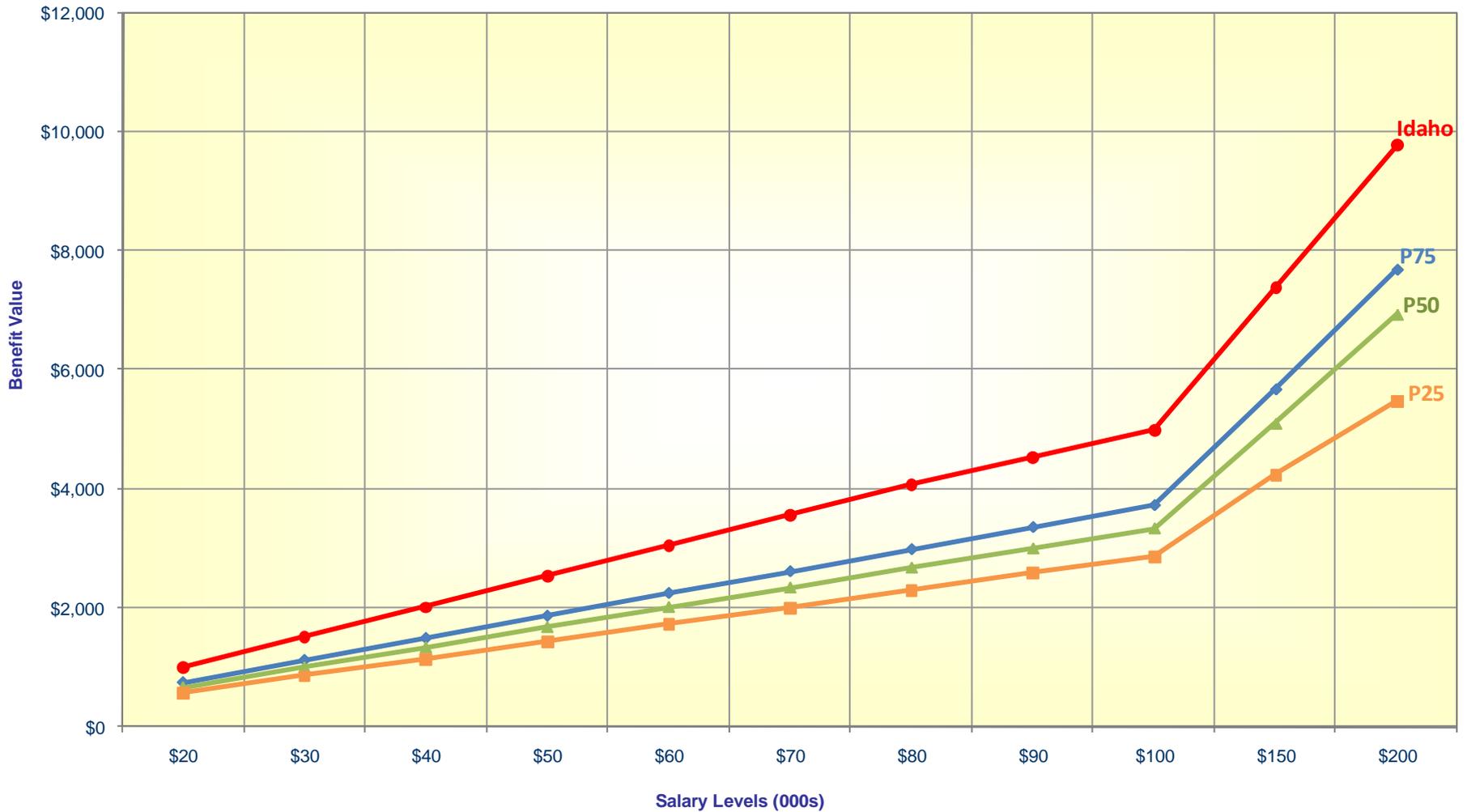
# Benefit Value Charts – General Market

## EMPLOYER PAID DEATH BENEFIT VALUES – Salary Levels \$20,000 - \$200,000



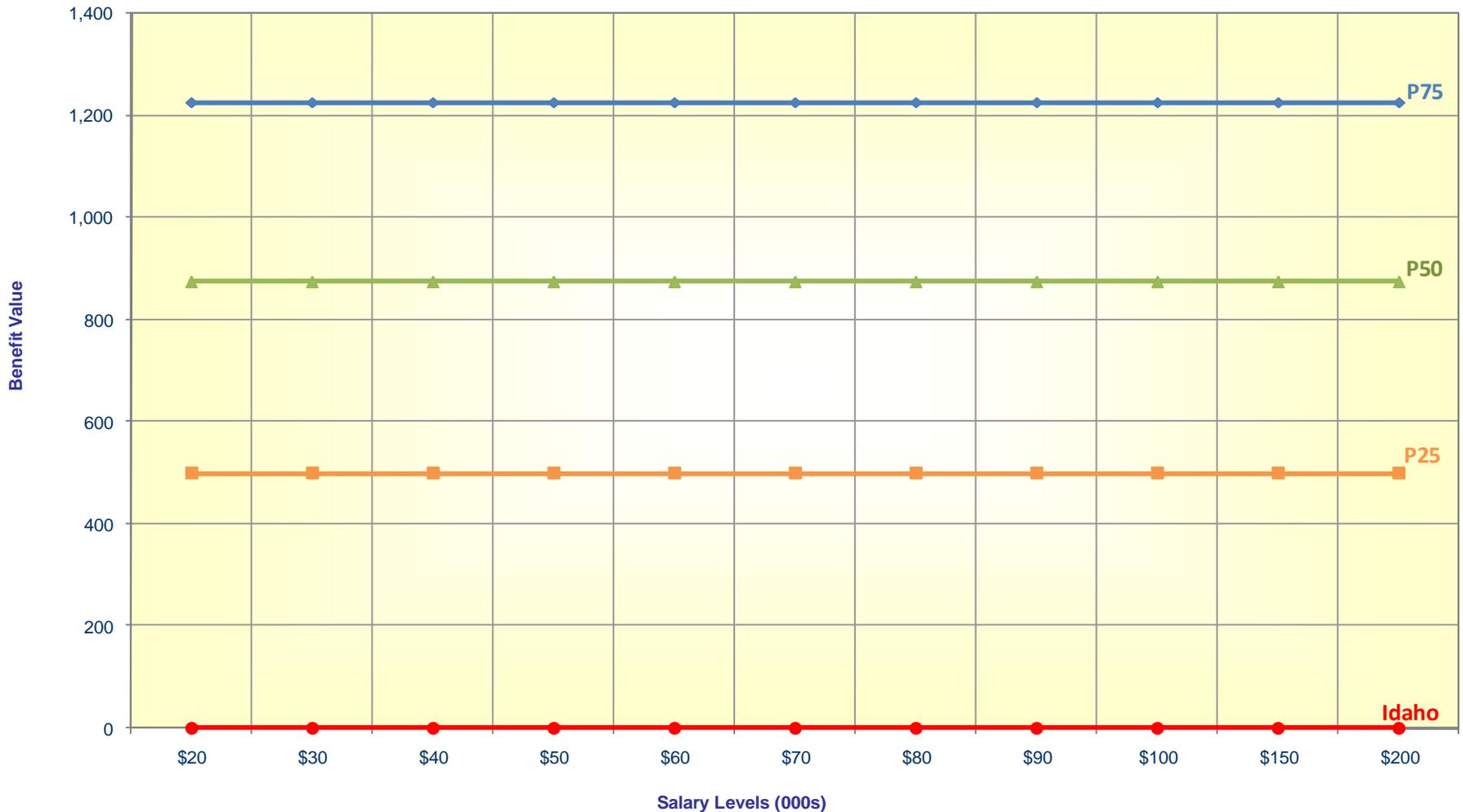
# Benefit Value Charts – General Market

## EMPLOYER PAID DISABILITY VALUES – Salary Levels \$20,000 - \$200,000



# Benefit Value Charts – General Market

## EMPLOYER PAID OTHER BENEFITS VALUES – Salary Levels \$20,000 - \$200,000

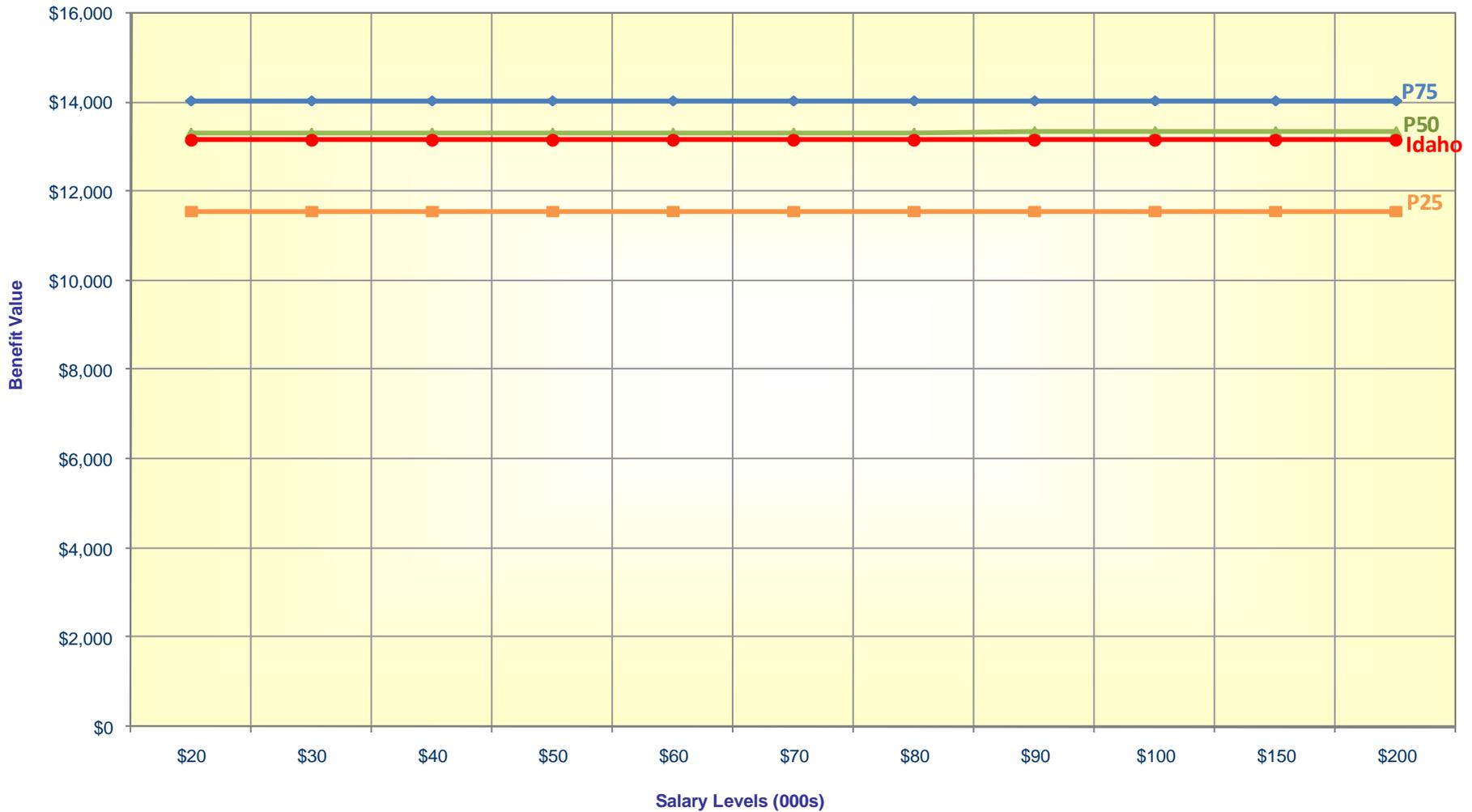


D

# Benefits Value Comparison Charts – Western Public Sector Organizations

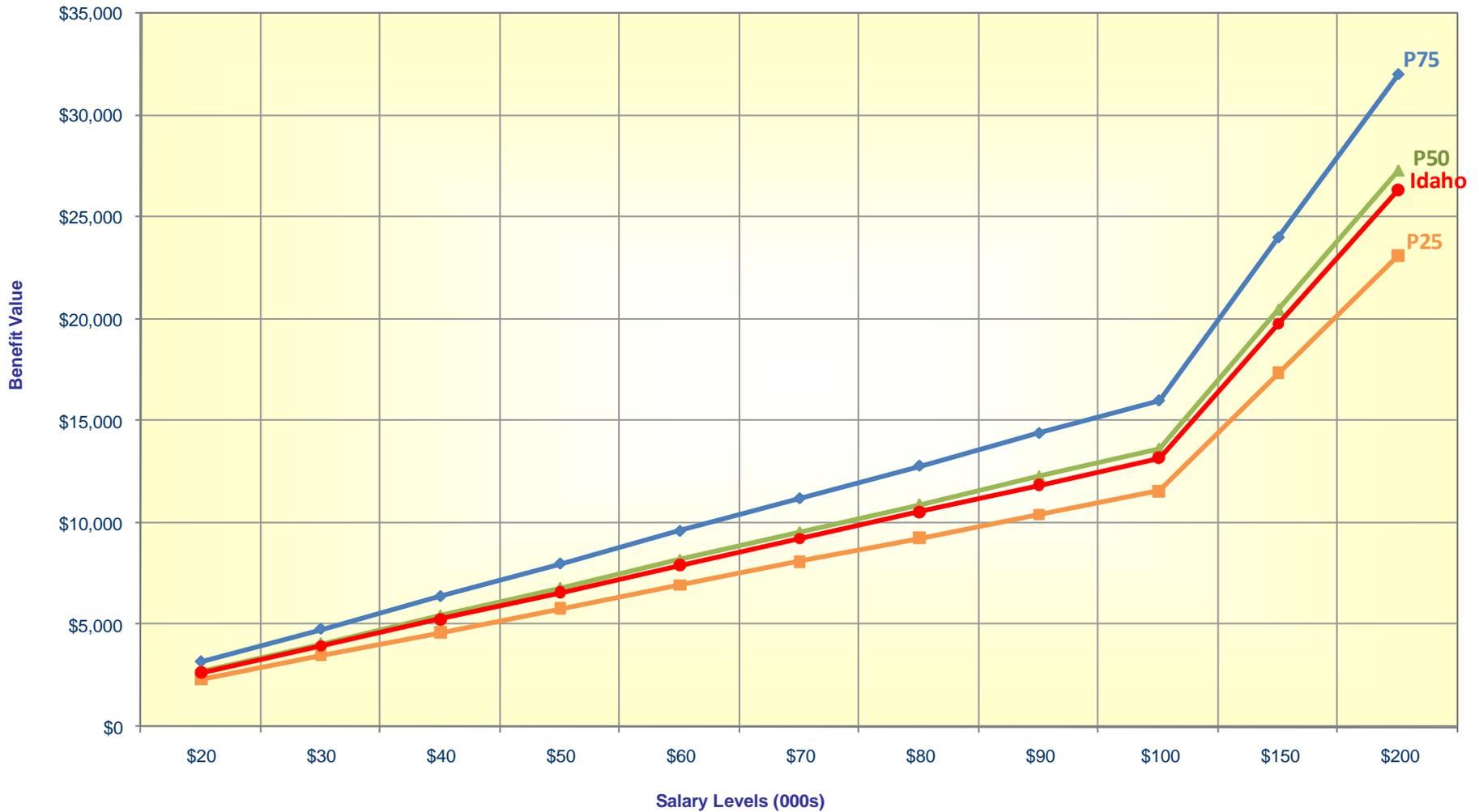
# Benefit Value Charts – Public Sector

## EMPLOYER PAID HEALTH CARE VALUES – Salary Levels \$20,000 - \$200,000



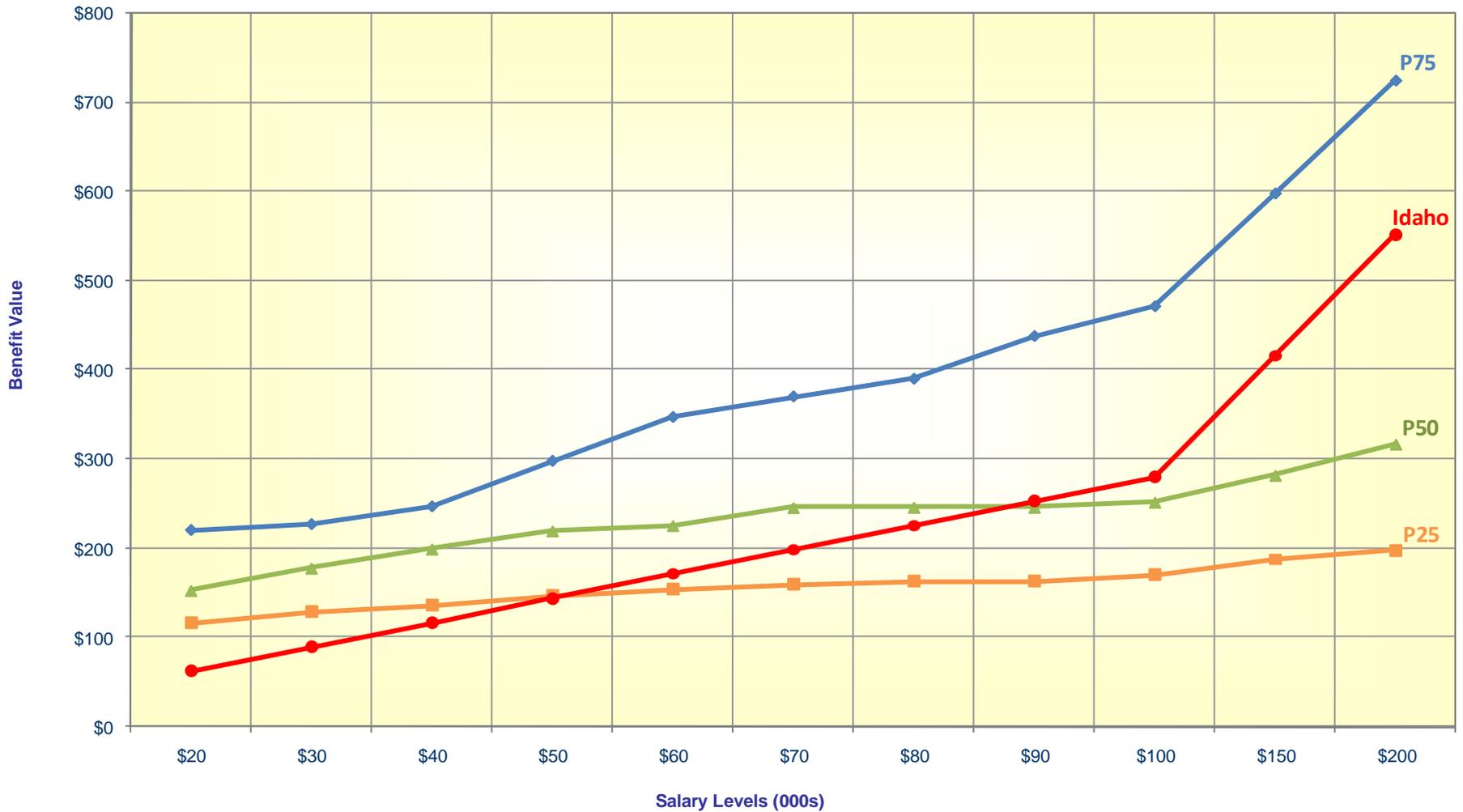
# Benefit Value Charts – Public Sector

## EMPLOYER PAID RETIREMENT VALUES – Salary Levels \$20,000 - \$200,000



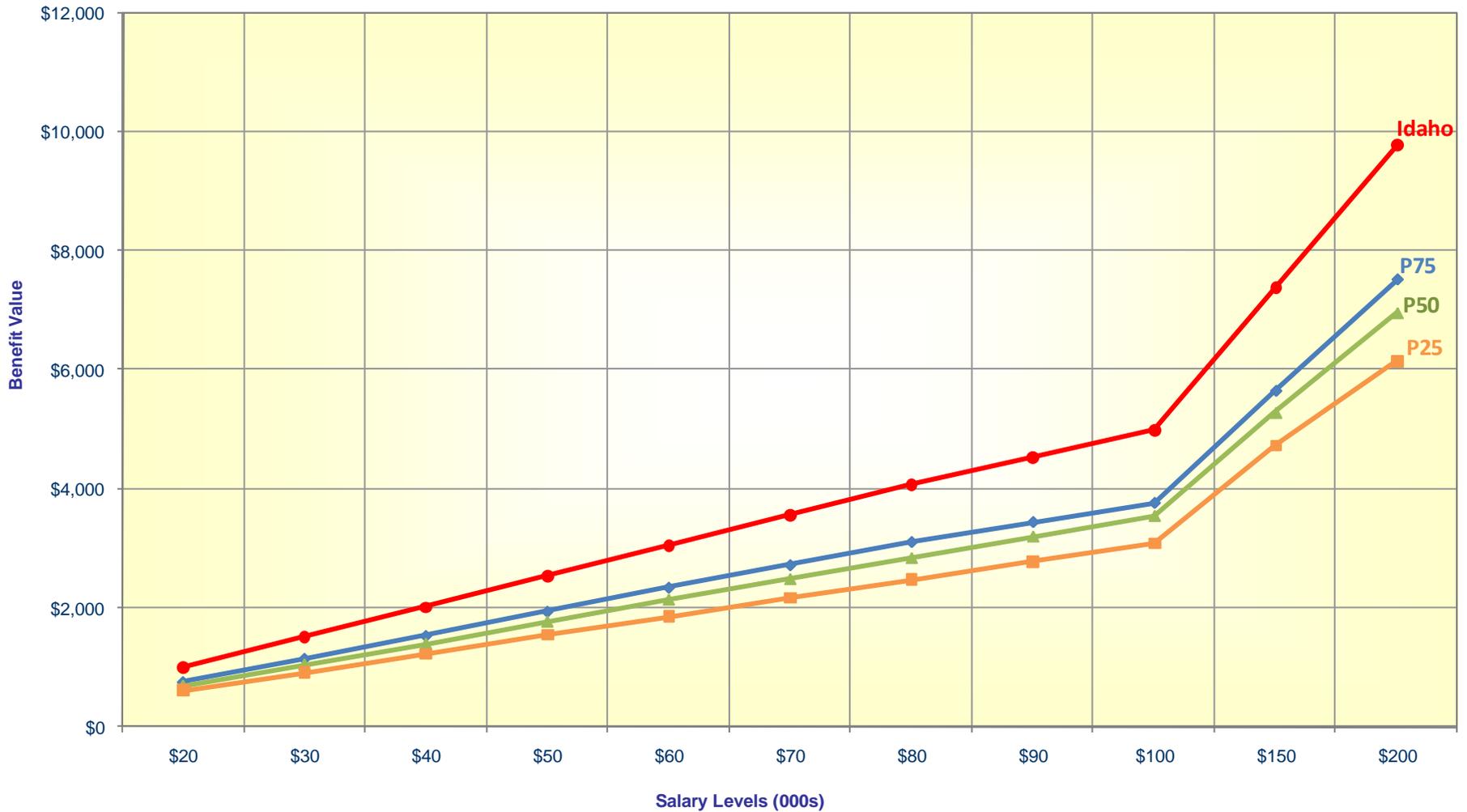
# Benefit Value Charts – Public Sector

EMPLOYER PAID DEATH BENEFIT VALUES – Salary Levels \$20,000 - \$200,000



# Benefit Value Charts – Public Sector

## EMPLOYER PAID DISABILITY VALUES – Salary Levels \$20,000 - \$200,000



# Benefit Value Charts – Public Sector

## EMPLOYER PAID OTHER BENEFITS VALUES – Salary Levels \$20,000 - \$200,000

