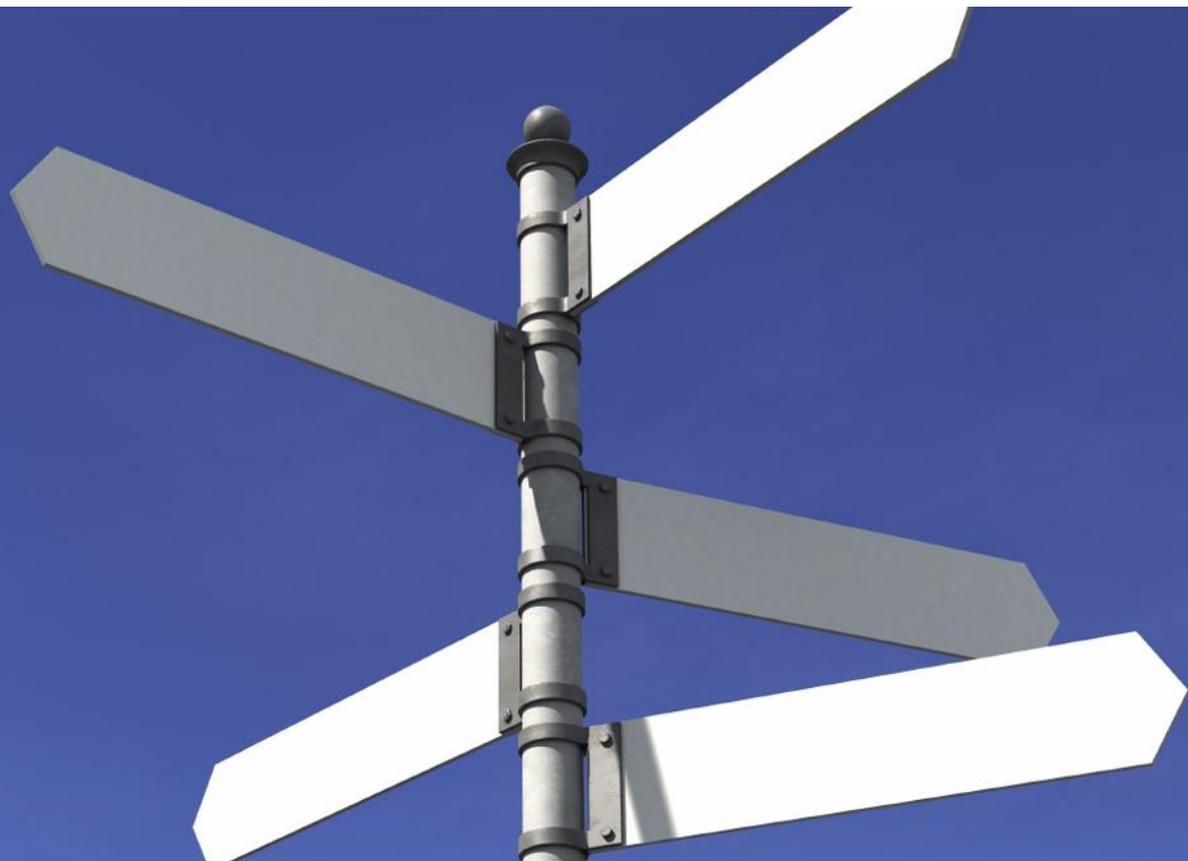


# State of Idaho

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?

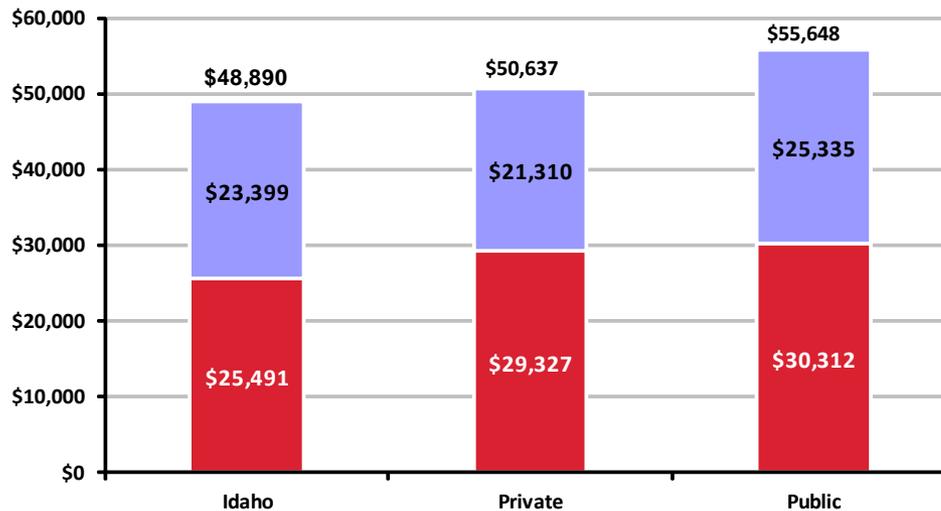
# What does the analysis show?

- 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

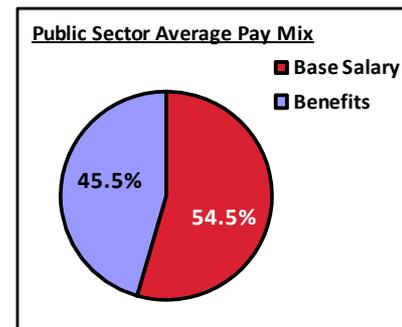
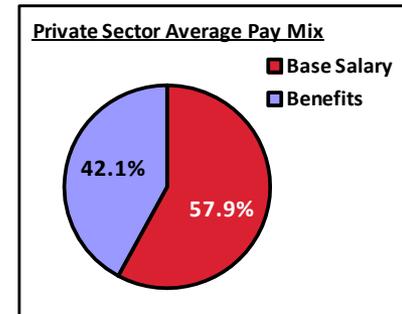
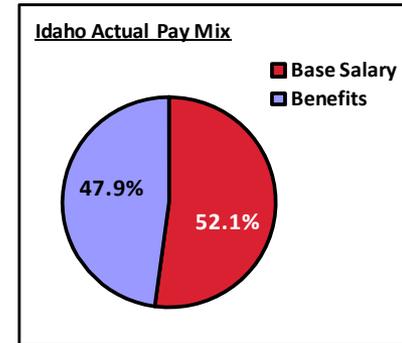
# Market Competitiveness – Total Compensation

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

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



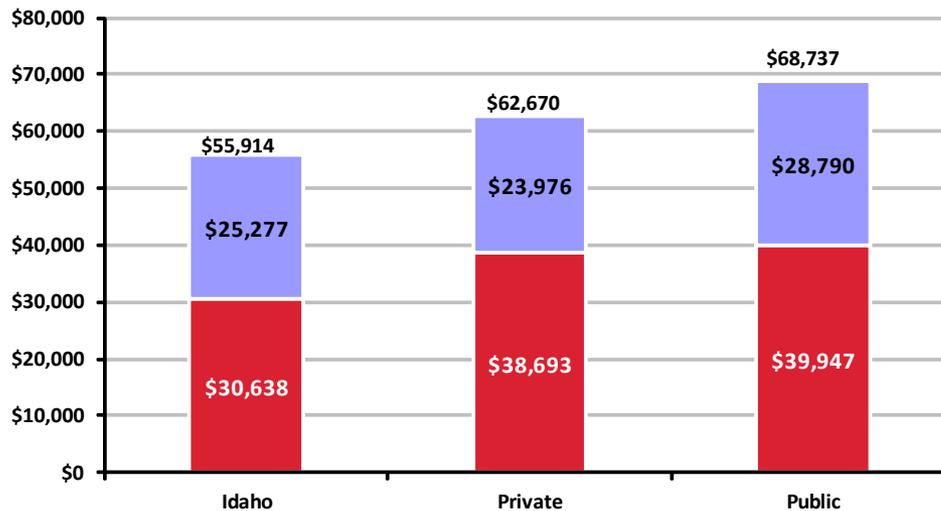
	Idaho	Private	Public
Base Salary	\$25,491	\$29,327	\$30,312
Benefits	\$23,399	\$21,310	\$25,335
Total Remuneration	\$48,890	\$50,637	\$55,648



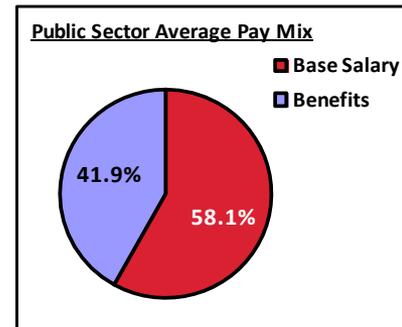
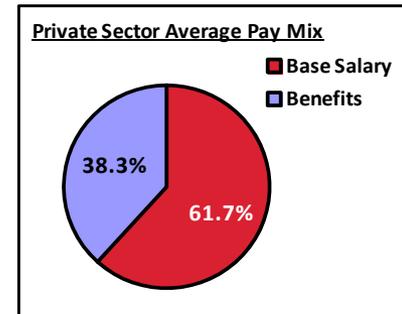
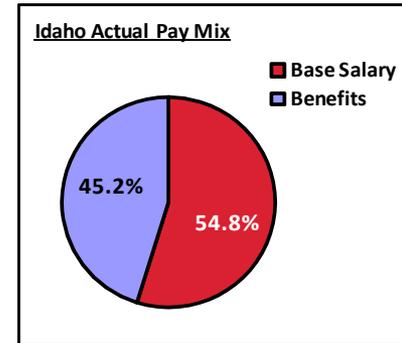
# Market Competitiveness – Total Compensation

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

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



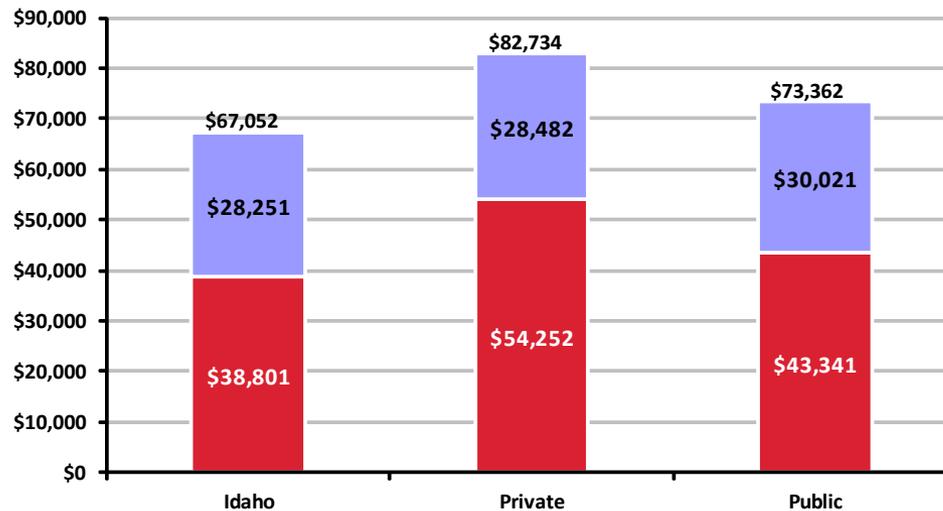
	Idaho	Private	Public
<b>Base Salary</b>	\$30,638	\$38,693	\$39,947
<b>Benefits</b>	\$25,277	\$23,976	\$28,790
<b>Total Remuneration</b>	<b>\$55,914</b>	<b>\$62,670</b>	<b>\$68,737</b>



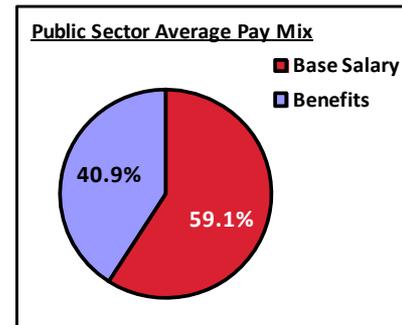
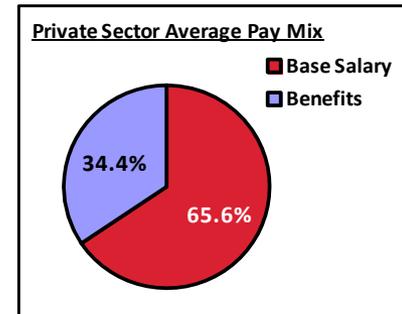
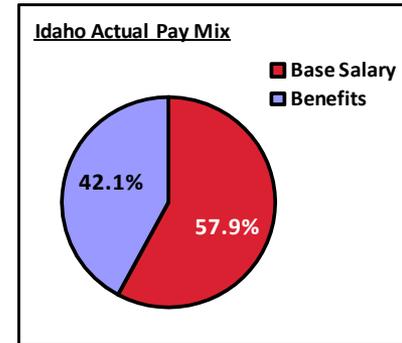
# Market Competitiveness – Total Compensation

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

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



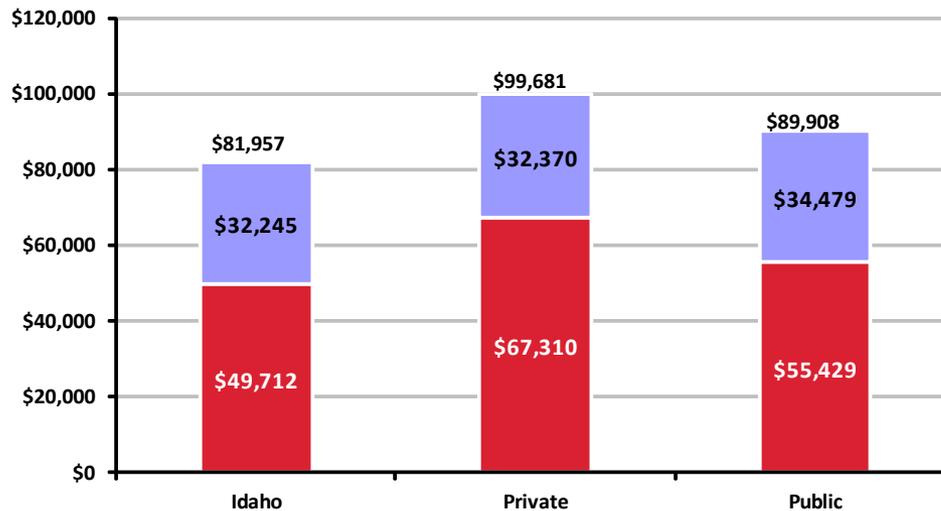
	Idaho	Private	Public
<b>Base Salary</b>	\$38,801	\$54,252	\$43,341
<b>Benefits</b>	\$28,251	\$28,482	\$30,021
<b>Total Remuneration</b>	\$67,052	\$82,734	\$73,362



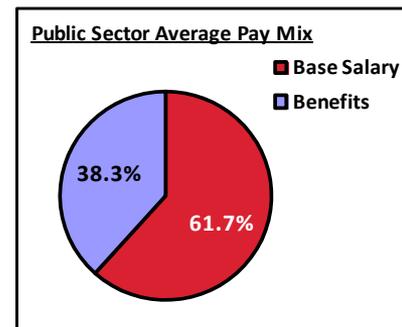
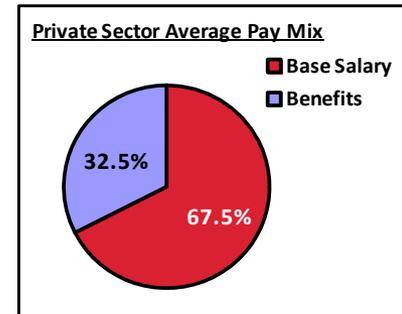
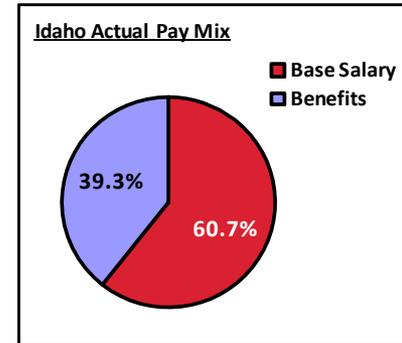
# Market Competitiveness – Total Compensation

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

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



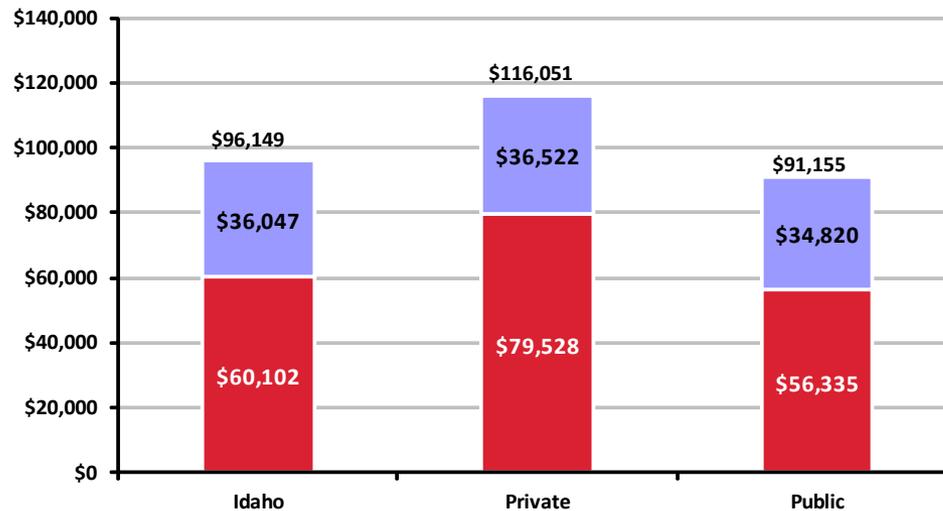
	Idaho	Private	Public
Base Salary	\$49,712	\$67,310	\$55,429
Benefits	\$32,245	\$32,370	\$34,479
Total Remuneration	\$81,957	\$99,681	\$89,908



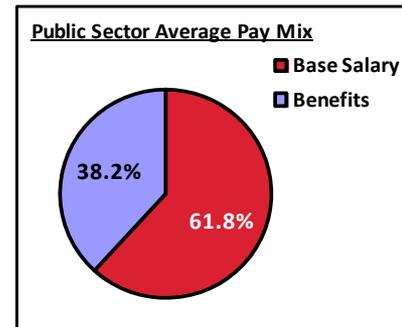
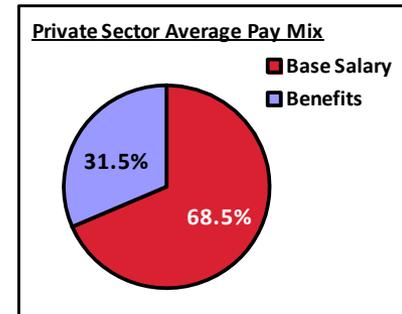
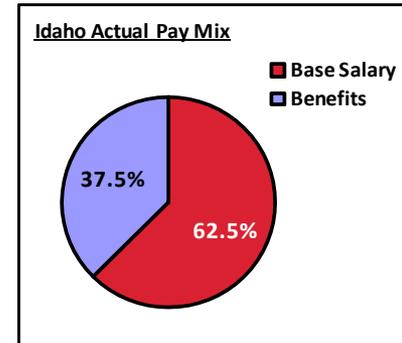
# Market Competitiveness – Total Compensation

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

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



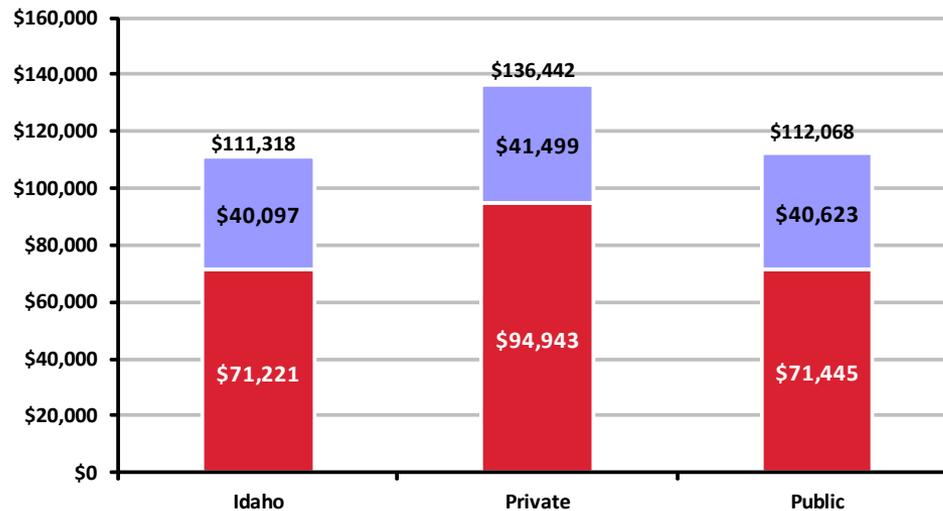
	Idaho	Private	Public
<b>Base Salary</b>	\$60,102	\$79,528	\$56,335
<b>Benefits</b>	\$36,047	\$36,522	\$34,820
<b>Total Remuneration</b>	\$96,149	\$116,051	\$91,155



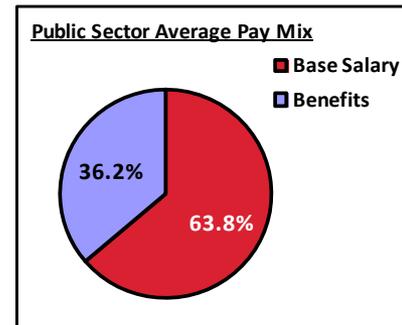
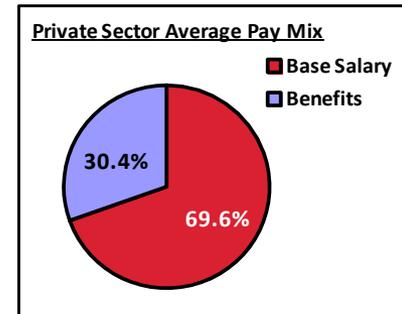
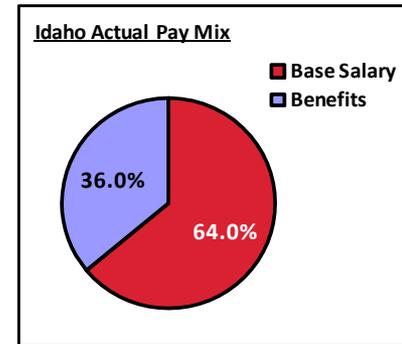
# Market Competitiveness – Total Compensation

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

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



	Idaho	Private	Public
Base Salary	\$71,221	\$94,943	\$71,445
Benefits	\$40,097	\$41,499	\$40,623
Total Remuneration	\$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%

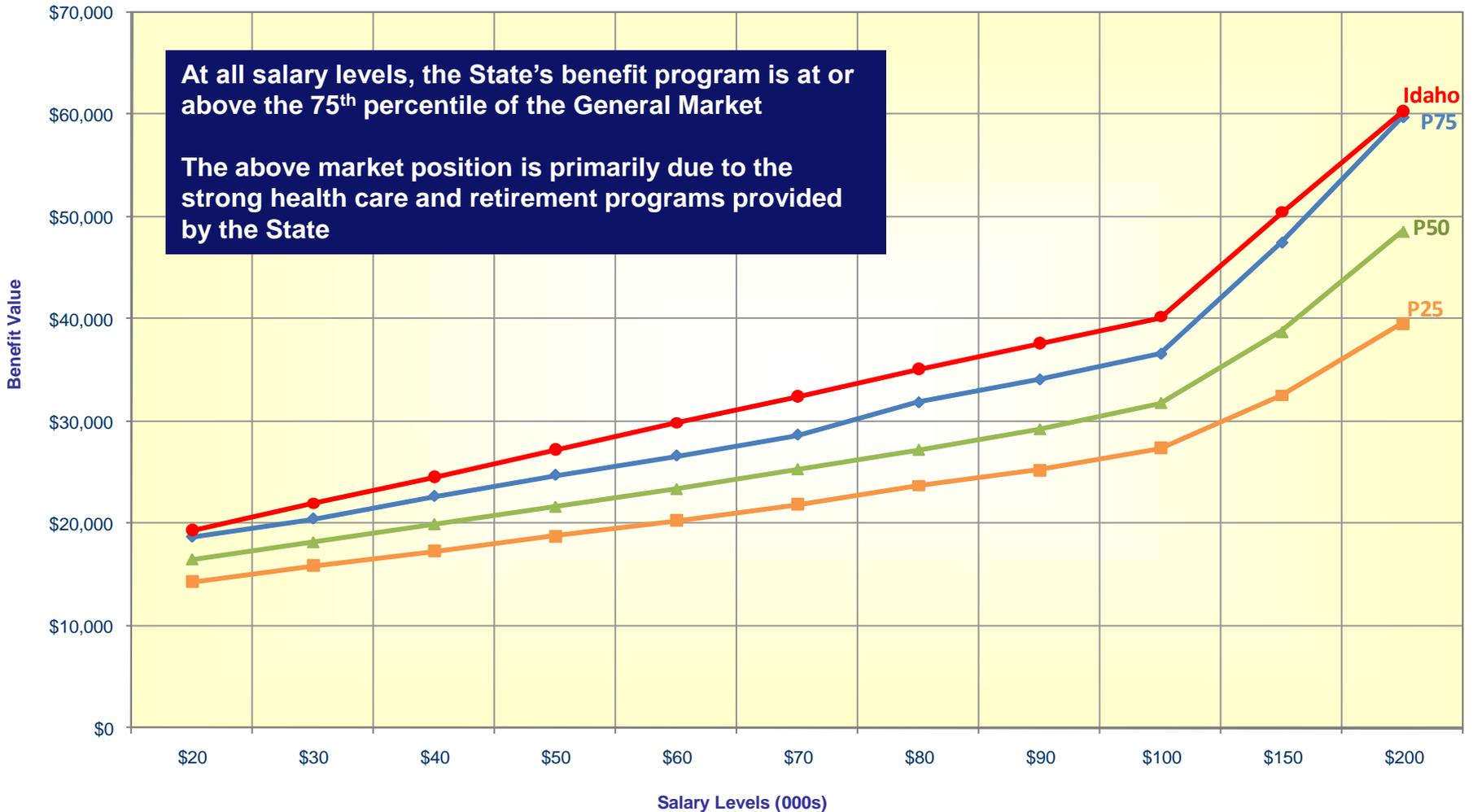
# Market Competitiveness – Salary

**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



# General Market Competitiveness – Benefits

## STATE OF IDAHO VS. GENERAL MARKET

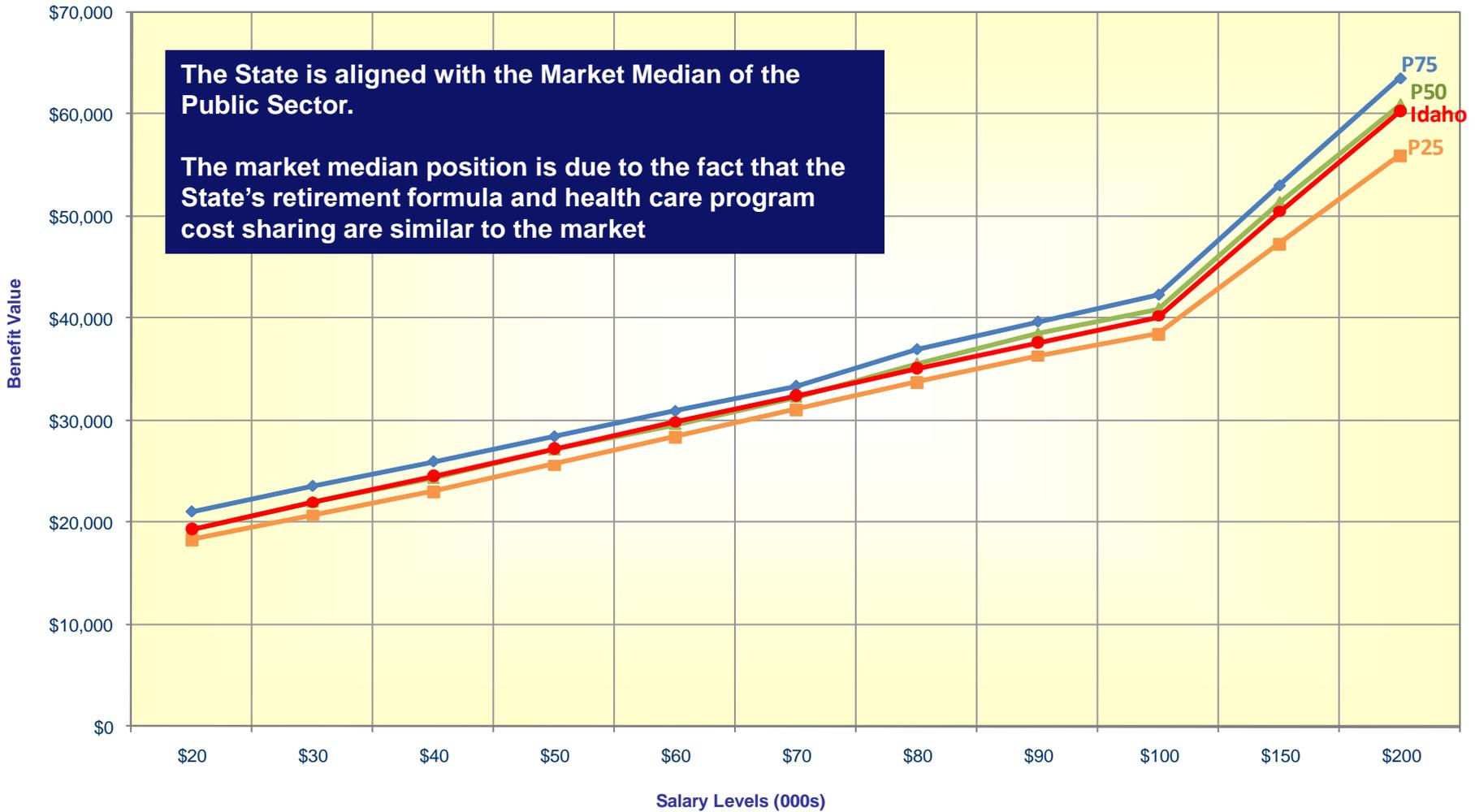
Benefit Area	Market Comparison	Key Findings
Total Benefits	P75	Market position is driven primarily by the retirement and health care benefits. Benefits that are a direct function of pay and have a higher likelihood of being utilized determine overall program value.
Health Care	P75	The State's lower premium 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

The State is aligned with the Market Median of the Public Sector.

The market median position is due to the fact that the State's retirement formula and health care program cost sharing are similar to the 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