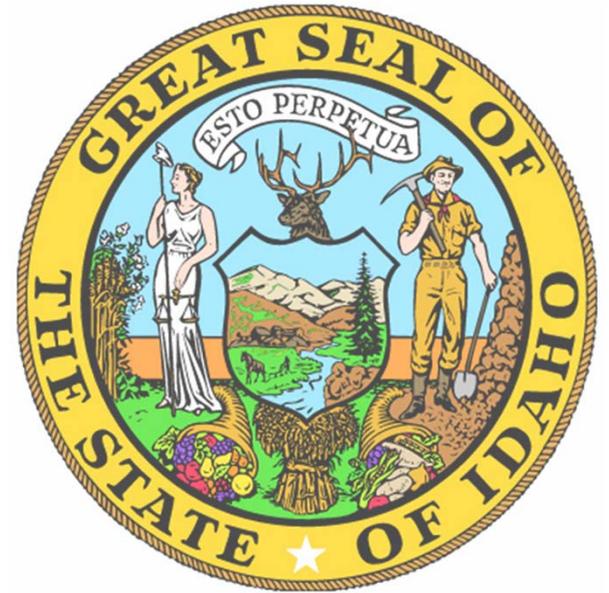


FY 2021 Change in Employee Compensation & Benefits

January 3, 2020

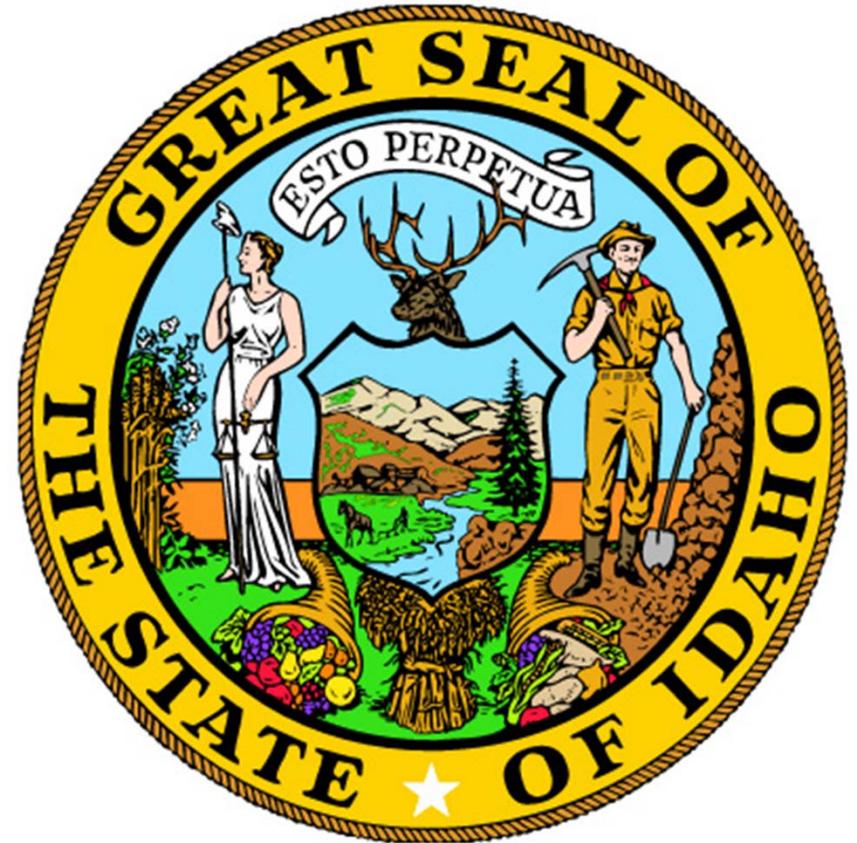
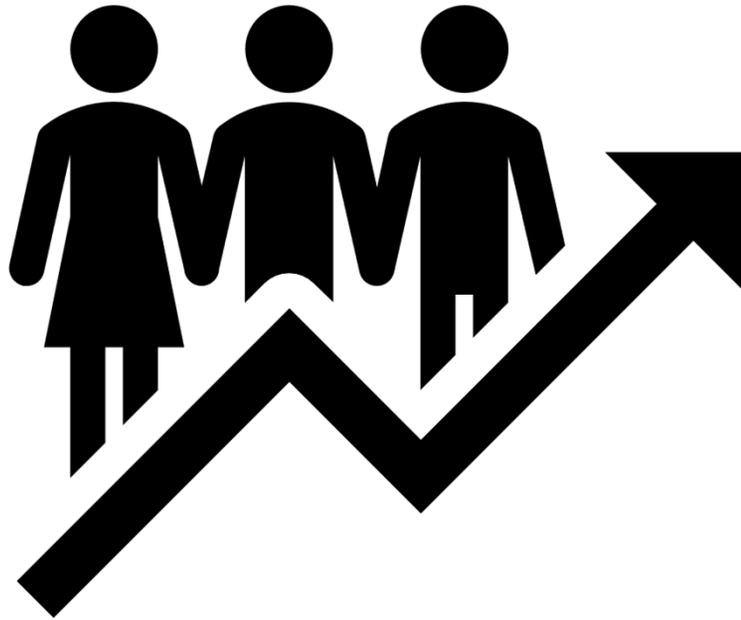
Susan E. Buxton
Administrator, DHR

Malinda Riley
Senior Principal, Korn Ferry



Economic Outlook

MOVING FORWARD



Idaho Code 67-5309A

STATE EMPLOYEE COMPENSATION PHILOSOPHY

Idaho Code 67-5309C

ANNUAL SURVEYS, REPORTS AND RECOMMENDATIONS



DHR RECOMMENDATIONS FY 2021

1

Increase the salary structure by 3% to continue toward the market average

2

Continue current payline exceptions for those job classifications which target specific recruitment and retention situations

3

Increase the merit-based salary component by 2%

4

Maintain the overall design of the benefits package and percentage contributions for employee benefits



Annual Surveys

MILLIMAN & KORN FERRY

Lag the Idaho market by **11%** in base salaries. **-Milliman**

Lag the **public** sector by **12.4%** and the **private** sector by...

26.2% in base salaries. **-Korn Ferry**



Total Compensation Report Summary

Introduction & Objectives

The State of Idaho requested an update of the total compensation analysis last conducted in 2018. Specifically, Korn Ferry was asked to do the following:

- Compile salary market analysis results from published, custom and KF survey sources;
- Conduct benefits market analysis;
- Determine total compensation market position;
- Support CEC report updates; and
- Present findings to legislative committee.



- **KF employed standard, industry accepted methodologies to conduct the analysis**
- **KF used a consistent comparator market to ensure stable and objective results**



How was the total compensation analysis conducted?

Process & methodology

The following survey sources were used to compare average pay for the State's 246 classifications to the market:

Published Salary Survey Sources

- Western Management Group (July 1, 2019)
- Northwest Healthcare Survey (January 1, 2019)
- Northwest Management Professional Survey (May 1, 2019)
- Northwest Engineering, Science, and Project Management Survey (May 1, 2019)
- Northwest IT Survey (June 1, 2019)
- NCASG – 8 States in Relevant Labor Market, MT, UT, WY, OR, WA, CO, NM, AZ (July 1, 2019)
- Korn Ferry General Market (May 2019) – adjusted for cost of labor in Idaho*

Custom Salary Survey (Milliman's custom survey)

- The survey included 76 classifications, covering approximately 4,000 employees (31% of the classified workforce). Not all of the 76 classifications are aligned to the 246 benchmark classifications.
- Survey responses came from 54 organizations, 57% of which are public sector (States, Counties, Cities, Colleges/Universities and School Districts).
- The custom survey is effective August 1, 2019, but for purposes of reporting results in this report, the data have also been aged to January 1, 2020.

Benefits Survey Source

- General Market – General market (private sector) organizations with employees in Idaho, as well as Nevada, Oregon, Utah and Washington contained in KF's current benefits database
- Public Sector Market – Public sector organizations (states, counties, cities, etc.) in the West, excluding California

- The above salary data are projected to January 1, 2020, using a 3.0% annual rate.
- Cost of labor is determined using Economic Research Institute statistics regarding pay levels based on geographic area. Cost of labor is different than cost of living, which only reflects the supply and demand for goods and services in a geographic area which are influenced by factors that are often independent of local wages.



How was the total compensation analysis conducted?

Process & methodology

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

Statistic	Definition
P25	P25 is the 25th Percentile, meaning that 75% of the market data is above this point, and 25% is below
P50 / Median	P50 is the Median, meaning that 50% of the market data is above this point, and 50% is below
P75	P75 is the 75th Percentile, meaning that 25% of the market data is above this point, and 75% is below
Market Average	Average pay in the external labor market as determined by published salary surveys for similar jobs in the market
Weighted Average	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



What are the analysis findings?

- Certain jobs/job families have improved their competitive position in the market, while some jobs have moved further behind. In aggregate the State’s market position for actual cash improved relative to the public sector market, but declined relative to the private sector compared to 2018:

Cash Area	Idaho vs. Private Sector Market Average		Idaho vs. Public Sector Market Average		Idaho vs. Custom Survey Market Median	
	2018	2019	2018	2019	2018	2019
Actual Base Salaries	-25.6%	-26.2%	-12.9%	-12.4%	-8.7%	-11.2%
Base Salary Policy	-21.6%	-21.5%	-7.2%	-6.7%	N/A	N/A

- Private Sector market movement was slightly higher than average pay movement for the State, while Public Sector moved slightly less.
- With a 3% increase to the salary structure, State of Idaho’s policy is slightly more competitive compared to last year.
- The Private Sector and Public Sector results are based on KF’s analysis of external survey data provided and compiled by the State of Idaho, plus KF’s database for employees located in Idaho. Each private sector survey source is equally weighted.
- The Custom Survey results are based on the findings of the recently conducted survey by Milliman.



What are the analysis findings?

- The State's current overall competitive market position for benefits is consistent with the 2018 market position:

Benefit Area	State of Idaho vs. Private Sector Market		State of Idaho vs. Public Sector Market	
	2018	2019	2018	2019
Total Benefits	P75	P75	P50	P25-P50
Retirement	> P75	> P75	P25-P50	< P50
Health Care	> P75	> P75	P50	< P50
Disability	> P75	P75	> P75	> P75
Life Insurance	P50	P50	P75	P75

- The State's total benefits market position relative to the private sector remained the same.
- The State's total benefits market position relative to the public sector did decline slightly driven by health care program changes (increased deductibles, out of pocket maximums, and prescription drug copayments) as health care represents a large component of the overall benefits package.



What are the analysis findings?

Changes to the State of Idaho Benefits Program from 2018 Study

Benefit Area	2018 Provision	2019 Provision	Impact to Market Position
Retirement – Employee Contribution	6.79%	7.16%	=
Health Care – PPO Deductible and OOP Maximum	\$250 / \$750 \$3,000 / \$6,000	\$350 / \$950 \$3,250 / \$6,750	-
Health Care – Rx Copayments	\$10 Generic, \$30 Preferred, \$50 Non-Preferred	\$10 Generic, \$30 Preferred, \$60 Non-Preferred	-
Health Care – Preventive & Rx	Grandfathered status, not fully ACA compliant	100% coverage of preventive, ACA compliant	+



What are the analysis findings?

Pay Component	State of Idaho vs. Private Sector Market		State of Idaho vs. Public Sector Market	
	2018	2019	2018	2019
Salary	-25.6%	-26.2%	-12.9%	-12.4%
Benefits	7.3%	9.1%	-9.6%	-10.2%
Total Compensation	-12.4%	-12.0%	-10.7%	-11.7%

- **Private Sector** – Idaho’s base salary market position is largely unchanged from 2018 to 2019 and is more than 20% below the market average. Below market salaries continue to depress the overall value of benefits, resulting in a total compensation market position that is more than 10% below market average.
- **Public Sector** – With a relatively static base salary market position compared to 2018, and a lower benefits position, total compensation market position decreased slightly:
 - Changes to Idaho’s benefits programs are likely contributing to the decrease; however, those changes are not the only factor. Changes in the market as well as the composition of the workforce also factor into the aggregate calculation.

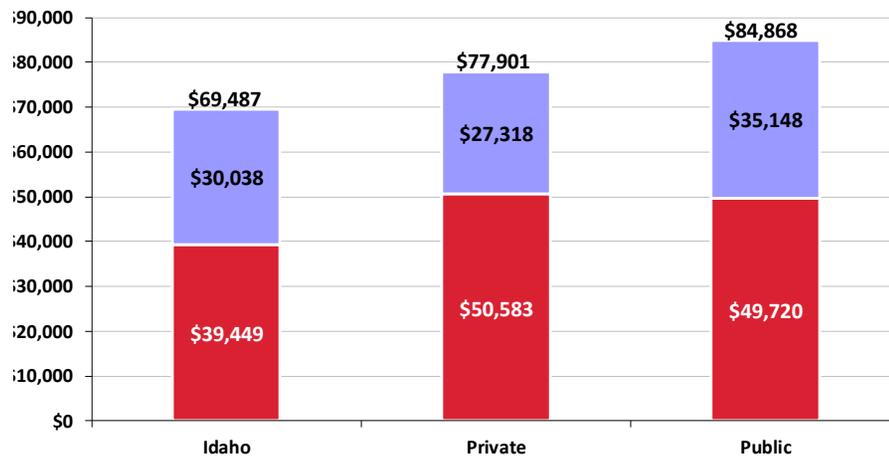


What are the analysis findings?

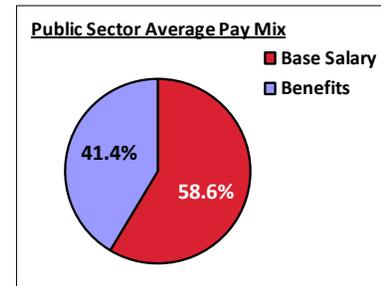
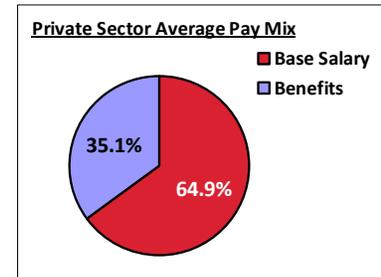
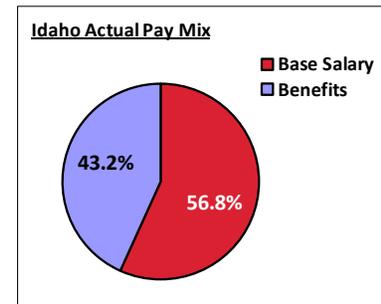
STATE OF IDAHO VS. PRIVATE & PUBLIC SECTOR – PAY GRADE I

Note:
The chart on this page shows the total compensation market position for a State employee in Grade I relative to both markets.

Pay Grade I



	Idaho	Private	Public
Base Salary	\$39,449	\$50,583	\$49,720
Benefits	\$30,038	\$27,318	\$35,148
Total Remuneration	\$69,487	\$77,901	\$84,868

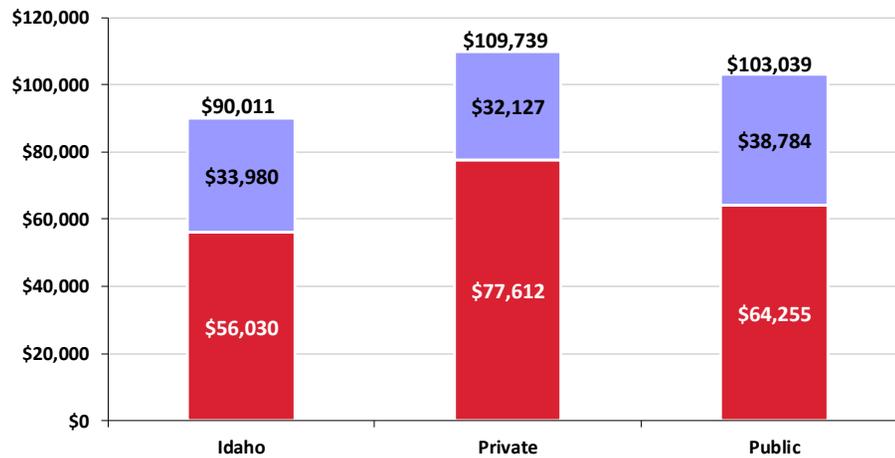


What are the analysis findings?

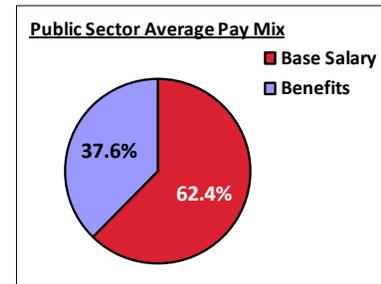
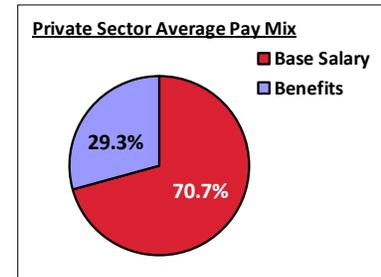
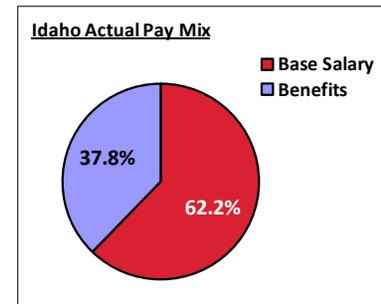
STATE OF IDAHO VS. PRIVATE & PUBLIC SECTOR – PAY GRADE L

Note:
The chart on this page shows the total compensation market position for a State employee in Grade L relative to both markets.

Pay Grade L



	Idaho	Private	Public
Base Salary	\$56,030	\$77,612	\$64,255
Benefits	\$33,980	\$32,127	\$38,784
Total Remuneration	\$90,011	\$109,739	\$103,039

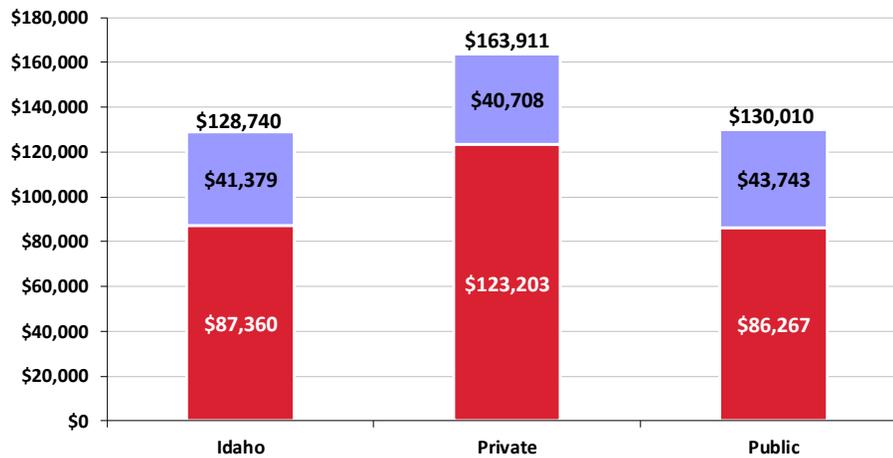


What are the analysis findings?

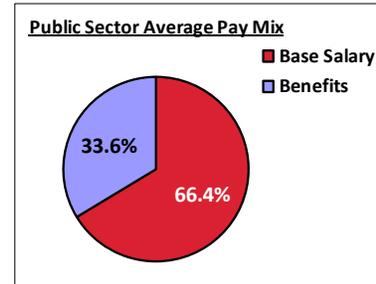
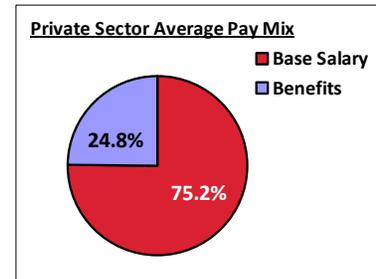
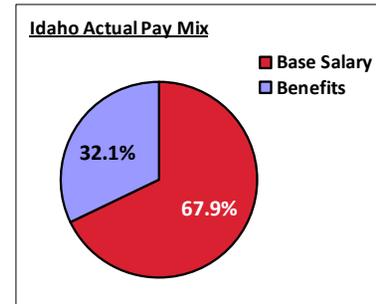
STATE OF IDAHO VS. PRIVATE & PUBLIC SECTOR – PAY GRADE O

Note:
The chart on this page shows the total compensation market position for a State employee in Grade O relative to both markets.

Pay Grade O



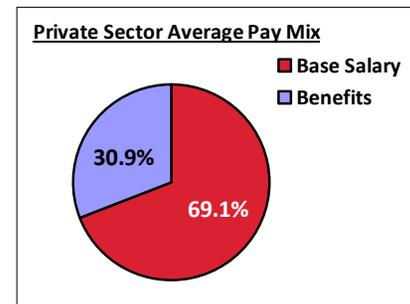
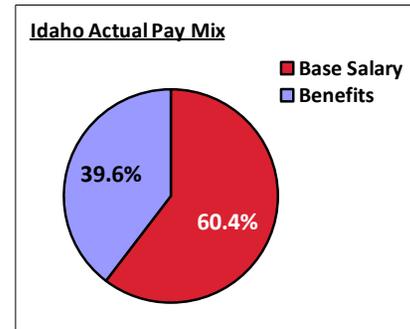
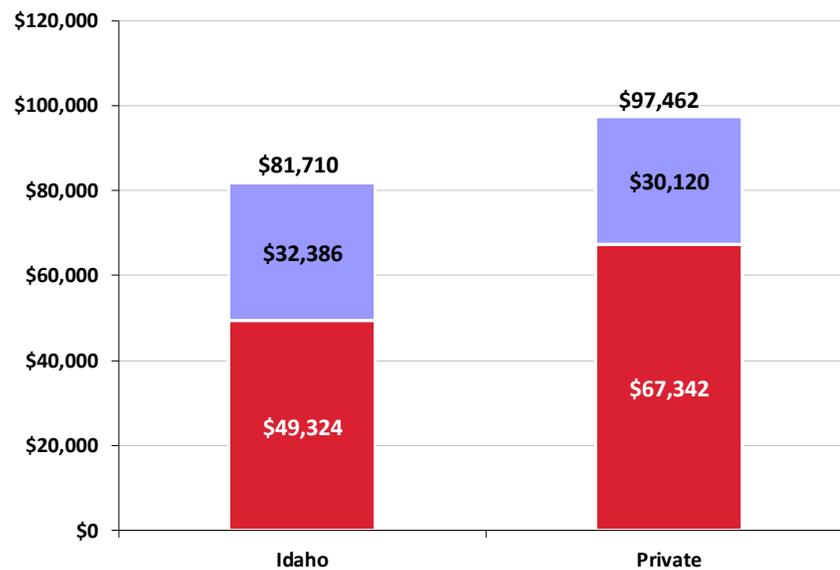
	Idaho	Private	Public
Base Salary	\$87,360	\$123,203	\$86,267
Benefits	\$41,379	\$40,708	\$43,743
Total Remuneration	\$128,740	\$163,911	\$130,010



What are the analysis findings?

STATE OF IDAHO VS. PRIVATE SECTOR – AGGREGATE

Note:
The chart on this page illustrates the aggregate total compensation market position for a State employee relative to the Private Sector market.



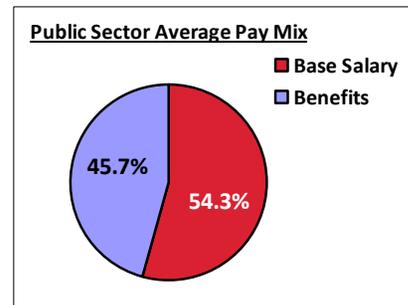
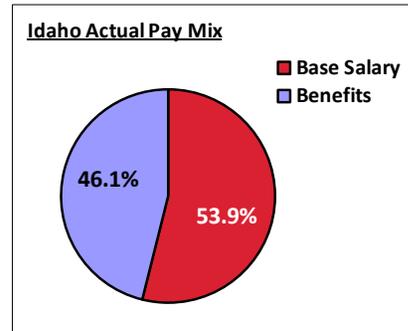
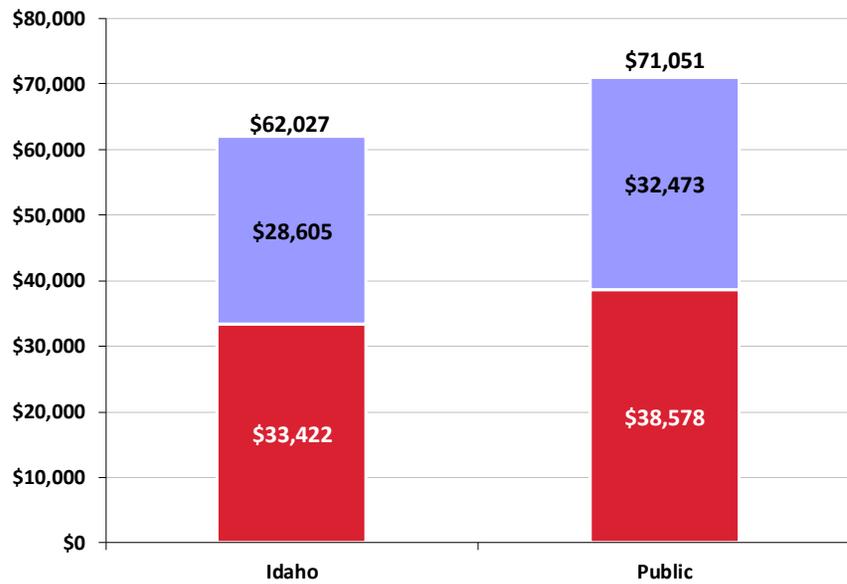
	Idaho	Private	% Difference
Base Salary	\$49,324	\$67,342	-27%
Benefits	\$32,386	\$30,120	8%
Total Remuneration	\$81,710	\$97,462	-16%



What are the analysis findings?

STATE OF IDAHO VS. PUBLIC SECTOR – AGGREGATE

Note:
The chart on this page illustrates the aggregate total compensation market position for a State employee relative to the Public Sector market.



	Idaho	Public	% Difference
Base Salary	\$33,422	\$38,578	-13%
Benefits	\$28,605	\$32,473	-12%
Total Remuneration	\$62,027	\$71,051	-13%



DHR RECOMMENDATIONS FY 2021

1

Increase the salary structure by 3% to continue toward the market average

2

Continue current payline exceptions for those job classifications which target specific recruitment and retention situations

3

Increase the merit-based salary component by 2%

4

Maintain the overall design of the benefits package and percentage contributions for employee benefits



Total Compensation

MARKET ANALYSIS BY KORN FERRY

State of Idaho's total compensation is **11.7%** lower than the **public** sector market average

... and **12.0%** lower than **private** sector.



Market History

Public Sector

Year	Policy Rate	Salary	Benefits	Total Comp
2019	-6.7%	-12.4%	-10.2%	-11.7%
2018	-7.2%	-12.9%	-9.6%	-10.7%
2017	-9.9%	-14.1%	-8.5%	-10.9%
2016	-7.0%	-14.0%	-9.0%	-11.0%
2015	-7.4%	-13.7%	-9.4%	-11.3%

Private Sector

Year	Policy Rate	Salary	Benefits	Total Comp
2019	-21.5%	-26.2%	9.1%	-12.0%
2018	-21.6%	-25.6%	7.3%	-12.4%
2017	-20.2%	-23.9%	8.8%	-12.2%
2016	-20.0%	-24.0%	14%	-8.0%
2015	-19.8%	-24.5%	14.4%	-8.4%

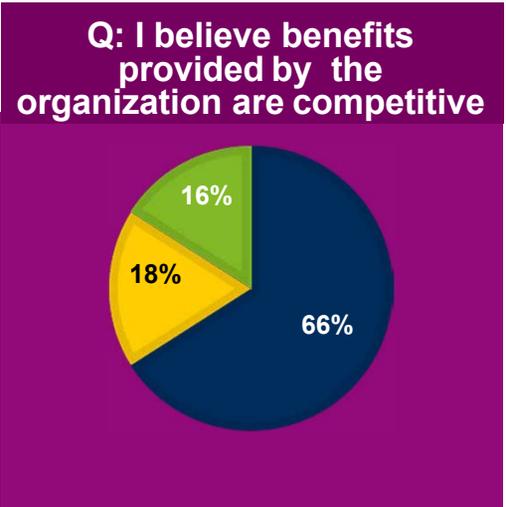
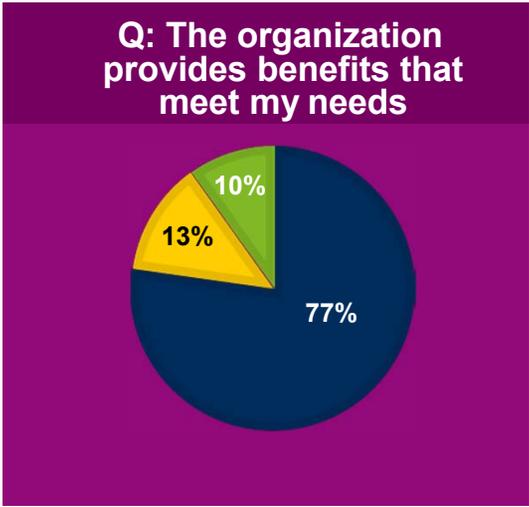
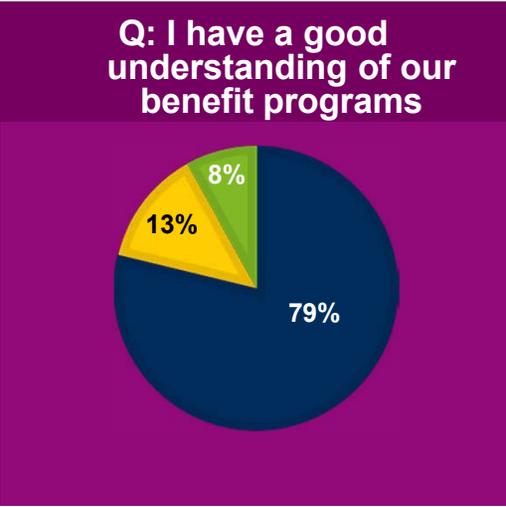
Benefits Market Competitiveness

Benefit Area	2018 Provision	2019 Provision	Impact to Market Position
Retirement: Employee Contribution	6.79%	7.16%	=
Health Care: PPO Deductible & OOP Maximum	\$250 / \$750 \$3,000 / \$6,000	\$350 / \$950 \$3,250 / \$6,750	-
Health Care: Rx Copayments	\$10 Generic, \$30 Preferred, \$50 Non- Preferred	\$10 Generic, \$30 Preferred, \$60 Non- Preferred	-
Health Care: Preventive & Rx	Grandfathered status, not fully ACA compliant	100% coverage of preventive, ACA compliant	+



Employee Benefits Survey

FAIR AND COMPETITIVE REWARDS – BENEFITS



■ Agree/Favorable ■ Neutral ■ Disagree/Unfavorable



Demographics

IDAHO WORKFORCE

State of Idaho experienced **15%** turnover:

8% voluntary separations

involuntary separations **4%**

3% retirements

*Retirement projections for the next nine years represent **18%** of the workforce.*



Thank You

QUESTIONS?

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