



Compensation & Benefits Study Legislature Presentation

PRESENTED CBIZ HUMAN CAPITAL SERVICES

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Introduction



- CBIZ Human Capital Services
 - Ed Rataj – CCP, CECP; Managing Director, Compensation Consulting
 - Joe Rice – Project Manager, Compensation Consulting
 - Ryan Blackwell – Senior Consultant



Overview

- Objectives and scope of the study
- Methodology
 - Comprehensive compensation study
 - Benefits analysis
- Study results
- Recommendations
- **Answer Your Questions**



Objectives and Scope of the Study

Objectives



- Enhances the State's ability to attract, retain, and motivate qualified individuals;
- Establishes structures that are flexible in order to meet changing needs; and
- Is well-aligned with the State's broader goals and strategies.



Scope

- A competitive market analysis of base salary, total cash compensation, and benefits;
- Development of a salary structure;
- Reconciliation of actual compensation with market-competitive compensation;
- Calculation of plan implementation costs;
- Analysis of market-competitive benefits levels;
- “Total Rewards” analysis;
- Overall program recommendations; and
- A financial wellness review.



Methodology



Project Methodology – Completed Steps

- Initiated Project
 - Conducted planning meeting with Division of Personnel staff
 - Established project goals
 - Collected organizational, job, and employee information
- Evaluated job documentation
- Identified market position
 - Pay structure set at the market median
 - Based on the State's intention to be competitive with its level of pay

Determine Labor Markets

Identified benchmark jobs and appropriate labor market characteristics

1

LOCATION

- Specific to the Missouri statewide average
- Expected that Missouri is the primary market for recruiting employees under the scope of the analysis

2

INDUSTRY

- Government and state support services
- Broader labor market, as appropriate

3

SIZE

- Operating budget
- Team headcount



Project Methodology – Completed Steps

- External Market Analysis
- Assessed market competitive compensation levels
 - National Compensation Association of State Governments (NCASG) survey for data specific to state governments
 - Proprietary survey database
 - Aggregates data from thousands of valid and reliable published salary surveys
 - Includes specific data based on geographic area, size of organization, years of experience, and industry
- Compared actual skills, duties and responsibilities to market data rather than merely matching job titles
- Developed salary structure

Project Methodology – Salary Structure Design

Illustrative Purposes Only

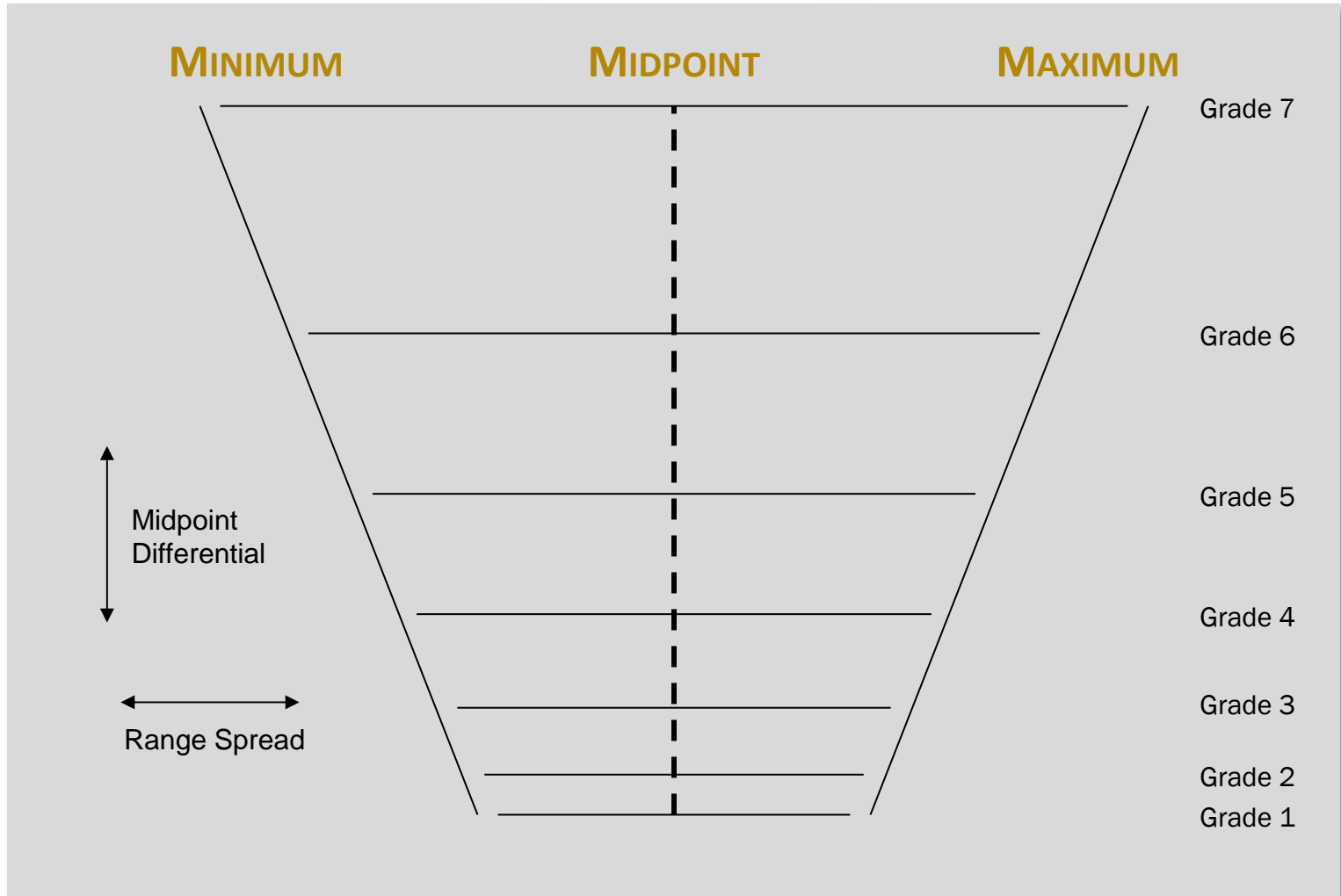


Title: Job XYZ

Market Benchmark: **\$35,455**

<u>Grade</u>	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>
1	\$24,778	\$30,972	\$37,166
2	\$27,398	\$35,618	\$43,837
3	\$31,508	\$40,960	\$50,413

Designing Salary Structures



Project Methodology – Completed Steps



Financial Impact Analysis

- CBIZ modeled preliminary implementation costs and identified employees above or below the proposed ranges

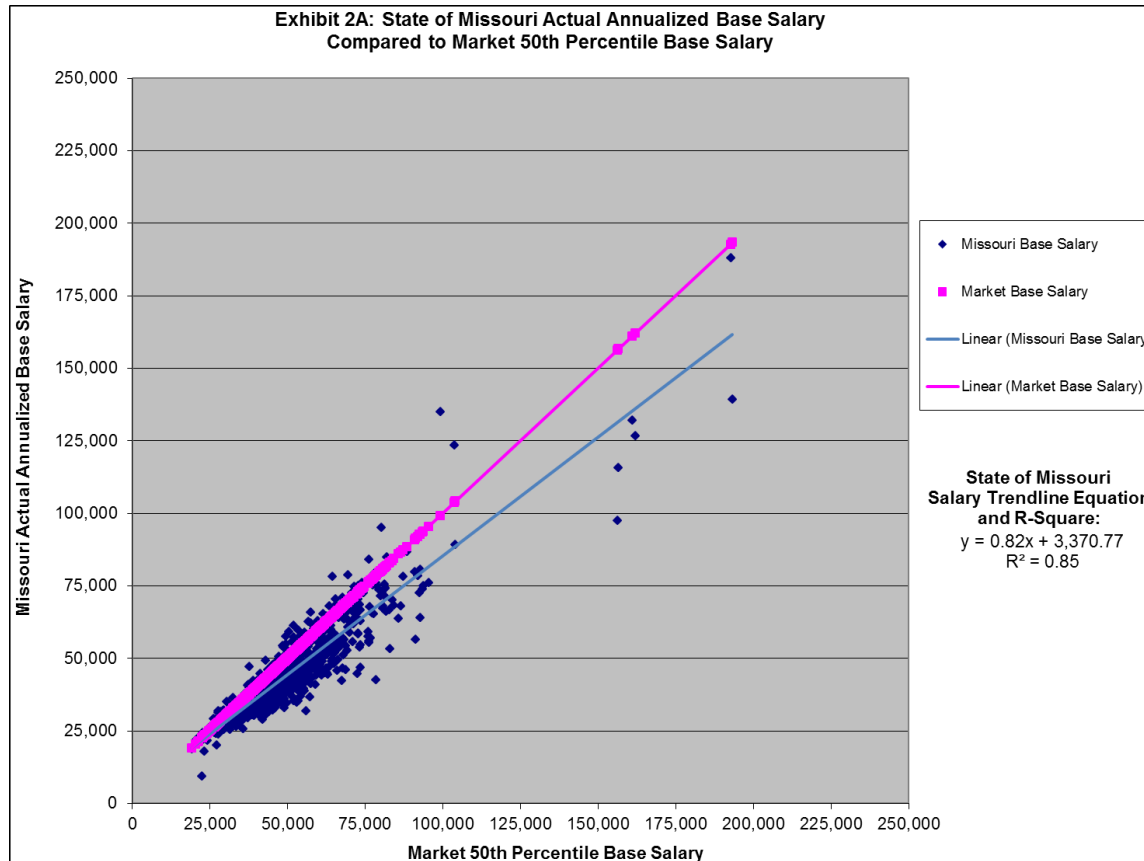


Compensation Study Results



Compensation Study Results

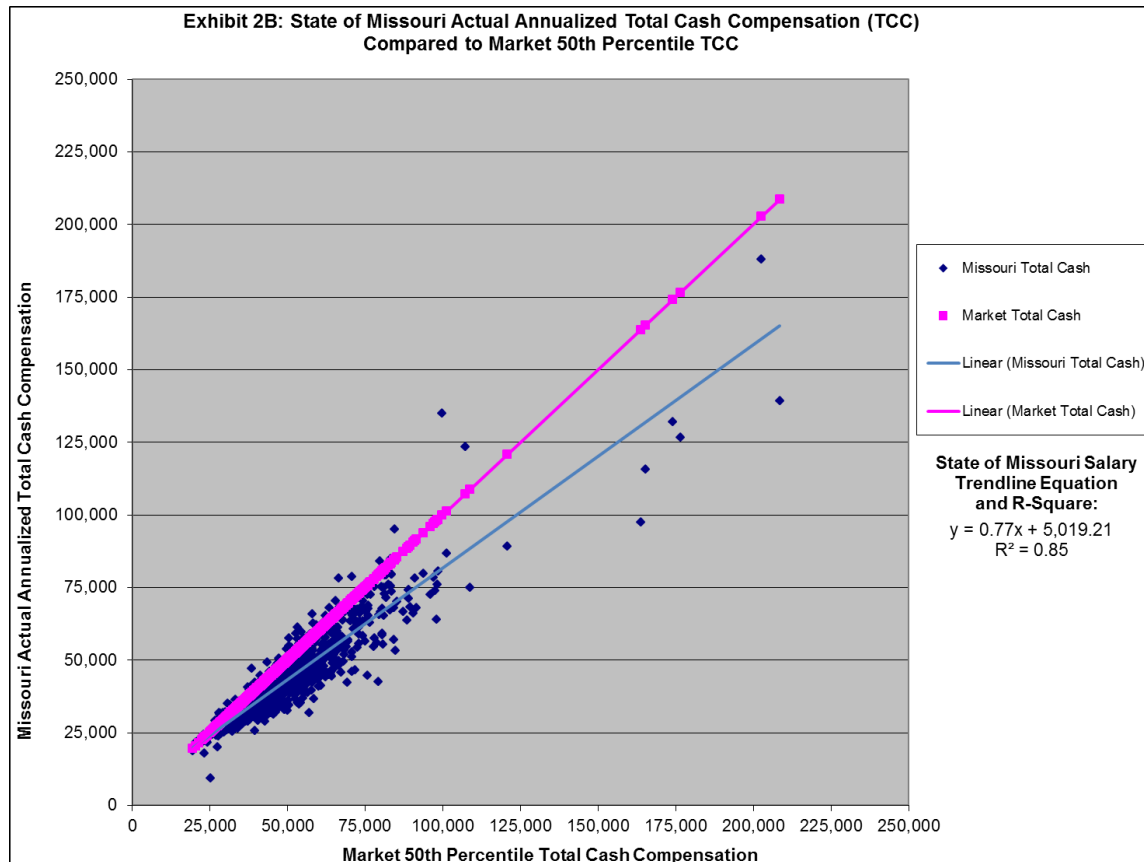
ACTUAL ANNUAL BASE SALARY COMPARED TO MARKET 50TH PERCENTILE BASE SALARY





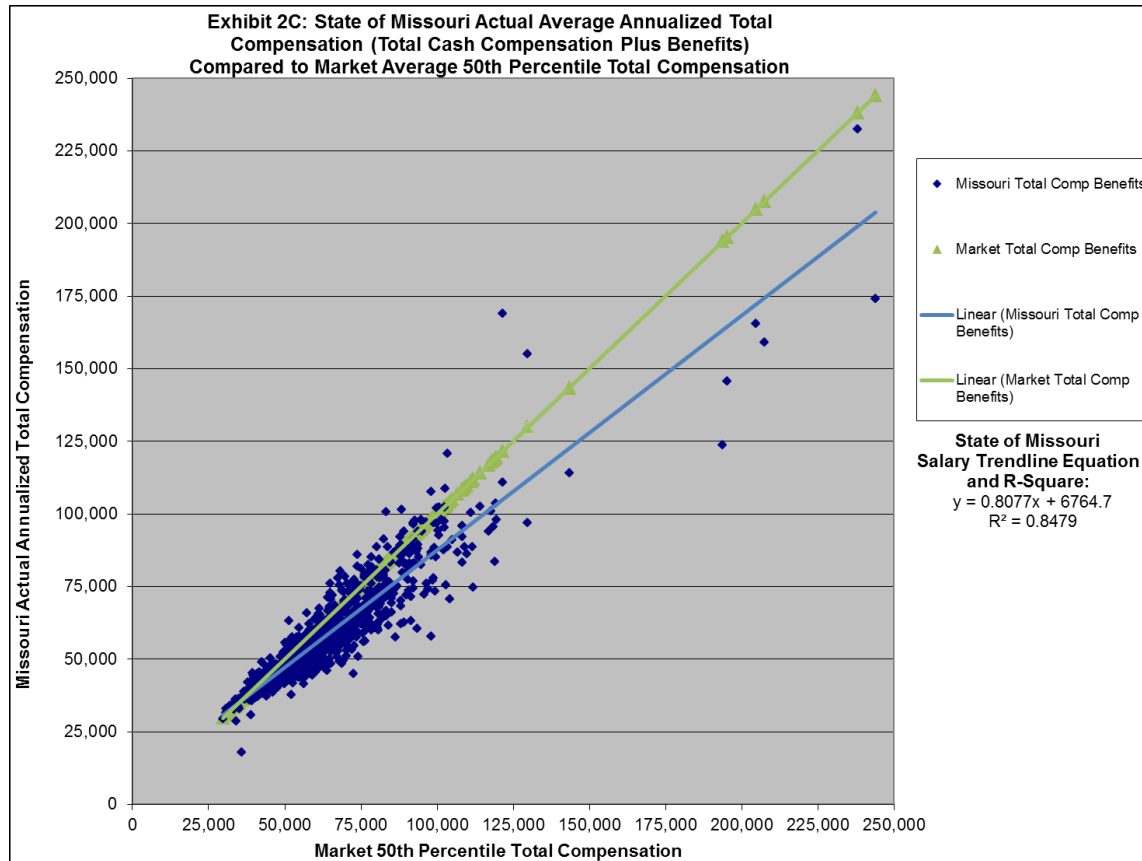
Compensation Study Results

ACTUAL ANNUAL TOTAL CASH COMPENSATION COMPARED TO MARKET 50TH PERCENTILE TOTAL CASH COMPENSATION



Compensation Study Results

ACTUAL ANNUAL TOTAL COMPENSATION COMPARED TO MARKET 50TH PERCENTILE TOTAL COMPENSATION





Compensation Study Results

GEOGRAPHIC DIFFERENTIALS

- Geographic Differential Compared to Missouri Statewide Average

HIGHEST 5

ST. LOUIS COUNTY (St. Louis, Missouri)	104.63%
ST. LOUIS CITY (St. Louis, Missouri)	104.63%
ST. CHARLES (St. Charles, Missouri)	104.38%
LINCOLN (Troy, Missouri)	104.27%
WARREN (New Haven, Missouri)	104.13%

LOWEST 5

DUNKLIN (Kennett, Missouri)	91.55%
PEMISCOT (Kennett, Missouri)	91.55%
BUTLER (Poplar Bluff, Missouri)	91.50%
WAYNE (Poplar Bluff, Missouri)	91.50%
RIPLEY (Poplar Bluff, Missouri)	91.50%



Compensation Study Results

COMPARATIVE SALARY ANALYSIS

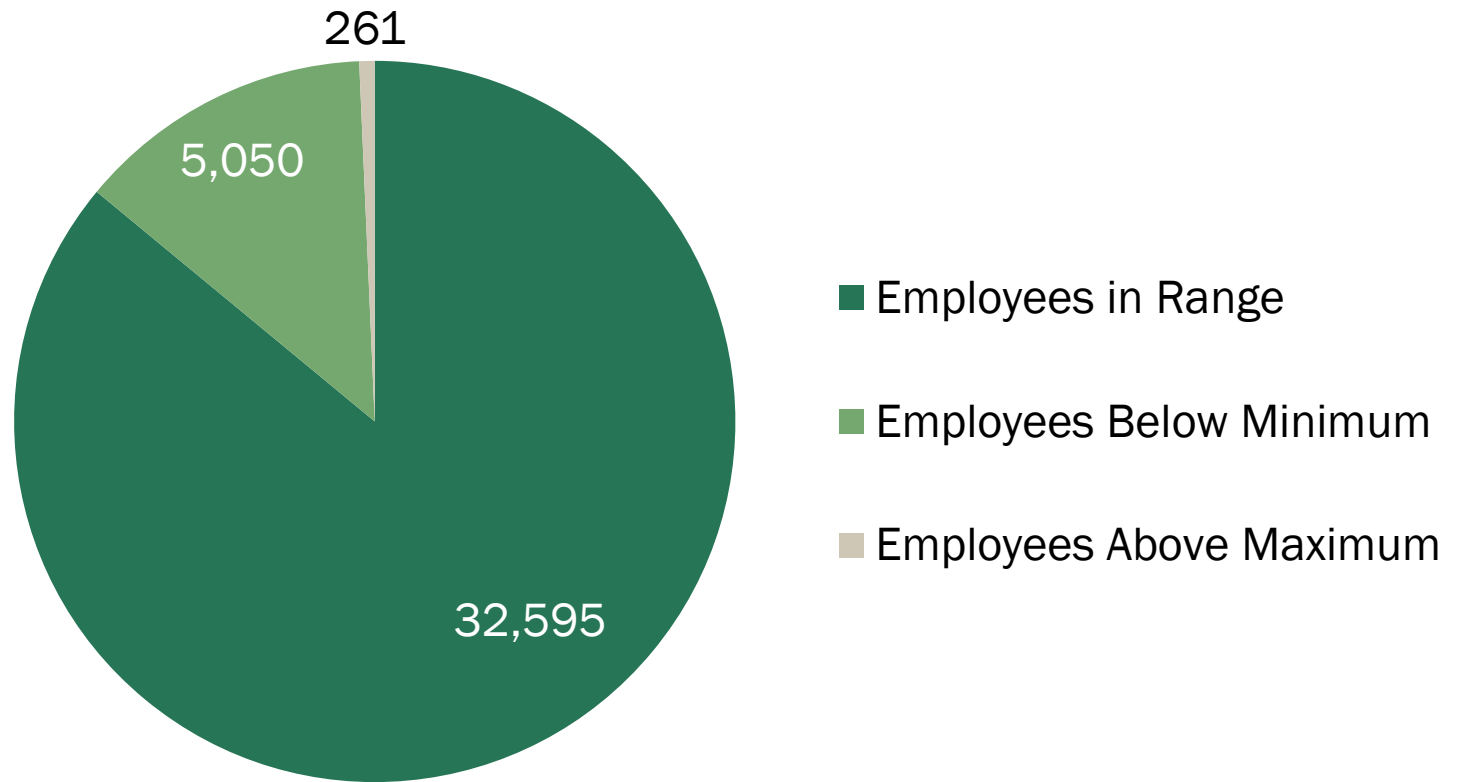
- The average overall compa-ratio as compared to the market 50th percentile is 89.6%

	BELOW SALARY RANGE MINIMUM	ABOVE SALARY RANGE MAXIMUM
NUMBER OF EMPLOYEES	5,050	261
TOTAL AMOUNT (\$)	\$13,690,388	\$533,842
TOTAL AMOUNT AS A % OF PAYROLL	1.00%	0.04%



Compensation Study Results

EMPLOYEE RANGE PLACEMENT



Findings



STATE GOVERNMENT PAY RANKING ANALYSIS

State	Average Annual Pay (AAP)	AAP Rank	Geographic Differential	Adjusted Average Annual Pay (AAP)	AAP Rank	State	Average Annual Pay (AAP)	AAP Rank	Geographic Differential	Adjusted Average Annual Pay (AAP)	AAP Rank
Iowa	\$64,209	7	91.13%	\$70,458	1	South Dakota	\$44,135	39	85.51%	\$51,614	26
California	\$75,229	1	111.74%	\$67,325	2	Utah	\$47,110	32	92.33%	\$51,023	27
Illinois	\$67,845	5	103.83%	\$65,343	3	New Mexico	\$46,367	36	90.91%	\$51,004	28
Rhode Island	\$67,177	6	105.41%	\$63,729	4	Maryland	\$54,221	17	106.66%	\$50,835	29
New York	\$68,173	4	109.86%	\$62,054	5	North Carolina	\$46,819	34	92.82%	\$50,441	30
Connecticut	\$68,185	3	110.90%	\$61,484	6	Alabama	\$45,830	37	91.31%	\$50,192	31
New Jersey	\$68,362	2	113.99%	\$59,972	7	North Dakota	\$47,477	30	94.62%	\$50,176	32
Ohio	\$57,914	11	96.62%	\$59,940	8	Arizona	\$46,797	35	93.56%	\$50,018	33
Massachusetts	\$63,849	8	108.58%	\$58,804	9	Texas	\$46,860	33	94.75%	\$49,457	34
Michigan	\$58,586	10	100.82%	\$58,110	10	Oklahoma	\$42,504	43	86.27%	\$49,268	35
Minnesota	\$57,107	12	100.98%	\$56,552	11	Arkansas	\$42,609	42	86.60%	\$49,202	36
Oregon	\$55,621	14	99.07%	\$56,143	12	Nebraska	\$43,646	40	88.86%	\$49,117	37
Alaska	\$63,074	9	112.86%	\$55,887	13	New Hampshire	\$49,497	23	101.69%	\$48,675	38
Wisconsin	\$54,457	16	97.91%	\$55,619	14	Tennessee	\$43,159	41	89.30%	\$48,330	39
Idaho	\$50,000	22	89.93%	\$55,599	15	Virginia	\$48,101	28	101.45%	\$47,414	40
Colorado	\$55,636	13	100.43%	\$55,398	16	Indiana	\$44,207	38	94.23%	\$46,914	41
Wyoming	\$50,750	21	93.29%	\$54,400	17	Kentucky	\$42,349	44	90.55%	\$46,768	42
Vermont	\$51,903	19	95.86%	\$54,145	18	Hawaii	\$48,377	27	103.94%	\$46,543	43
Montana	\$48,529	26	90.29%	\$53,748	19	Delaware	\$47,545	29	102.72%	\$46,286	44
Louisiana	\$48,695	25	91.31%	\$53,329	20	Mississippi	\$39,387	47	86.67%	\$45,445	45
Kansas	\$47,227	31	90.21%	\$52,352	21	Florida	\$40,875	45	94.65%	\$43,186	46
Maine	\$49,151	24	93.96%	\$52,311	22	West Virginia	\$38,102	49	88.44%	\$43,082	47
Nevada	\$53,823	18	103.25%	\$52,129	23	Georgia	\$40,562	46	94.51%	\$42,919	48
Washington	\$55,277	15	106.33%	\$51,986	24	South Carolina	\$38,979	48	91.27%	\$42,707	49
Pennsylvania	\$51,880	20	99.85%	\$51,958	25	Missouri	\$37,476	50	94.44%	\$39,682	50



Recommendations



Recommendations

- Increase the compensation of all employees to the minimum of their respective proposed salary ranges. The range minimum represents the level at which entry-level pay can be considered market-competitive.
- Implementation of the compensation plan should occur uniformly across all positions. While different implementation scenarios may recognize budget constraints, partial or sporadic implementation can result in pay equity issues.
- Update structures annually. In order to reduce the administrative burden associated with salary structure maintenance, CBIZ will provide update factors that will allow the State to update the recommended salary structures for five years after the study.
- Temporarily freeze pay for employees above the maximum of their respective proposed grade. The pay freeze should remain in place until the point at which the range maximum surpasses actual pay.
- Conduct a comprehensive market review every three to five years to ensure that the ranges remain market-competitive.

Recommendations

- The State should reduce the ten-year vesting requirement because it is out of step with trends in the market. Specifically, most employers are shortening their vesting schedules; the millennial generation has shown a willingness to change jobs often and typically places a much higher value on benefits that vest quickly and are transportable. Additionally, the ten-year vesting creates a challenge in attracting “second career” employees, who may be deterred by the ten-year requirement.
- Move away from steps to open ranges. Open ranges align with market norms, offer less administrative burden, and can even provide cost savings to the State. Step systems are a rigid, antiquated approach to compensation administration that offer limited flexibility and can be expensive due to rounding pay to the nearest step.
- As reported in Exhibit 4, pay levels in different areas of the State vary dramatically. Current prohibitions on geographic differentials may result in over- or under-compensation in different locations. The State should remove this restriction.
- We recommend that the State focus on the broader market data comparisons. Direct comparisons to pay at other states are provided in both Exhibit 1A and Exhibit 10 for information purposes.



Questions