



CBIZ Talent & Compensation Solutions

Compensation and Benefits Study Report

State of Missouri

April 26, 2019



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EXECUTIVE SUMMARY

CBIZ Talent and Compensation Solutions (“CBIZ”) engaged by the State of Missouri (“State”) to conduct a comprehensive compensation study for its employees, including a review of current compensation practices, an update of the compensation plan, and a benefits analysis.

In order to assist the State in implementing a compensation system that considers both market and internal factors, CBIZ matched the State’s positions to positions in the market, developed a new salary structure, and calculated the cost of implementing the recommendations. In addition to evaluating base salaries at the State, CBIZ assessed total cash compensation and competitive benefits levels.

As a part of this process, the employee data reflects the 1% or \$700 general structure adjustment that took effect in January 2019.

This report details CBIZ’s findings and recommendations, the summary of which indicates that the State’s current compensation practices are, in the aggregate, above market-competitive levels as evidenced by the following:

- Base salary is, on average, 14.3% below the market median. (See Exhibit 4A for additional detail.)
- Total cash compensation (the sum of base salary and incentives, the latter of which the State does not provide) is, on average, 15.3% below market. (See Exhibit 7 for additional detail.)
- The benefits offered by the State are 82.6% above market and improve the overall market position of the State. The market position of the State’s lower-level jobs is impacted the most while higher-level jobs still tend to lag the market despite the State’s above market benefits. On average, the State’s employees are 10.7% above the market when totaling base salary, incentives, and benefits. (See Exhibit 7 for additional detail.)
- The cost to adjust compensation to the threshold of market competitiveness, identified as the minimum of the proposed pay ranges, is \$15,906,721. This is the result of 6,760 State employees being paid below the proposed pay range minimums. (See Exhibit 4A for additional detail.) The State may consider reducing the impact by implementing the recommendations over time, capping increases or applying different implementation scenarios for different departments or divisions.
- As of March 12th, 2017, Missouri ranks last among the 50 states in average employee pay. (See Exhibit 9 for additional detail.) Average pay is not an apples to apples comparison because different states provide different services. Average pay may be impacted more by staffing strategies than actual market competitiveness. For example, a state may contract with a services organization for cafeteria and custodial functions, thereby eliminating a significant portion of their lower-wage workforce and raising the average pay for the remaining employees. In addition, the State primarily competes against Missouri private industry and local governments for talent. For these reasons, CBIZ focused on individual classifications compared to the market value.

The remainder of this report will explain the methodology and expand on this summary in order to clearly document the comprehensive approach taken to analyze the State’s current compensation practices and develop its new compensation plan



OBJECTIVE AND SCOPE OF THE STUDY

The objective of the compensation study is to provide the State with a plan that:

- 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.

The scope of the study included:

- 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; and
- Overall program recommendations.

METHODOLOGY

Definitions

BASE SALARY: the annual fixed rate that an individual is paid for performing a job.

TOTAL CASH COMPENSATION: the sum of base salary and annual incentive compensation payments from variable pay programs.

EMPLOYEE BENEFITS: non-cash compensation provided to an employee. Some benefits are required by law (e.g., payroll taxes, unemployment compensation, and workers compensation), while others may be provided at the discretion of an employer (e.g., life insurance, paid time off, retirement plans).

TOTAL COMPENSATION: the sum of total cash compensation and employee benefits.

DATA POINTS:

- 25th percentile: the value in an array that falls at the first quarter of the sampled data (75% of the values in the sample are greater than the 25th percentile value).
- 50th percentile: the value in an array that falls in the middle or median of the sampled data (half of the values in the sample fall above this value and half fall below it). This is the data point of reference for the proposed pay grade assignments.
- 75th percentile: the value in an array that falls at the third quarter of the sampled data (25% of the values in the sample are greater than the 75th percentile value).

COMPA-RATIO: the employee's current salary divided by a market comparison point, which is usually the market 50th percentile. An employee whose salary equals the 50th percentile of the market has a compa-ratio of 100%. A compa-ratio of less than 100% indicates that the employee's salary is less than the 50th percentile of the market, and a compa-ratio greater than 100% indicates that the employee's salary is greater than the 50th percentile of the market.

RANGE PENETRATION: the employee's current salary minus the salary grade minimum salary divided by the difference of the salary grade maximum and minimum. An employee whose range penetration equals 50% is paid at the midpoint of the salary grade range, 0% is equal to the salary grade minimum and 100% is equal to the salary grade maximum.

Market Pricing

Competitive Market Analysis

According to a recent WorldatWork¹ survey of market pricing practices, the vast majority of organizations (approximately 85%) utilize a compensation philosophy that strives to compensate employees at the median of the competitive labor market. Median pay is the point at which half of the employers pay more and half pay less.

Based on CBIZ's discussions with the State, it intends to be competitive with its level of pay, which generally corresponds to setting the pay structure at the market median.

The labor market influences described below were considered for the jobs included in the scope of the study. Job descriptions provided by the State were also utilized to ensure relevant market matches.

Labor Market Influences

The three most important labor market characteristics are the size of the organization, geographic scope, and industries from which the State recruits talent. Because surveys focus on different market characteristics (e.g., some focus on size, others focus on geography or industry), CBIZ determined each characteristic as it relates to each position at the State before conducting the market analysis, as follows:

Size of Organization

A key factor to be considered in determining the market-competitive compensation, particularly for senior management positions, is the size of the State. While compensation for many positions is based primarily upon location, industry, job tasks, and responsibilities, compensation for upper-level positions is also significantly affected by the size of the State. CBIZ considered size factors such as operating budget and team headcount when proposing the compensation for department directors and division directors.

Geographic Influence

Many jobs in a State are recruited locally. Professional jobs may be recruited state wide or regionally. Because individuals who work in senior management positions often relocate solely to accept a new job, national searches are commonly conducted for these positions. In contrast, lower-paid salaried employees seldom relocate primarily on the basis of a job. To accurately reflect this market place characteristic, the survey data must be comprised of participants who reflect the geographic scope of the position in question. Too narrow or broad a market area scope either does not consider all necessary factors or introduces irrelevant factors.

¹ WorldatWork (formerly the American Compensation Association) is a compensation and total rewards industry association group. Their surveys and publications are widely accepted for use in the field of compensation analysis.

However, when considering senior management positions, it is most reasonable to geographically adjust the data to the higher of the local or national market. This is due to the fact that organizations in locations that have greater comparative salaries will provide higher salaries to employees. In addition, the higher (local) rates would be required to compensate an employee moving from an area with a lower cost of living. Conversely, although executives are often recruited on a national basis, in practical application executives rarely are open to reductions in pay, even if they are moving to a lower-cost area.

CBIZ primarily utilized data specific to the Missouri statewide average since it is expected that Missouri is the primary market for recruiting employees under the scope of the analysis.

Industry Influence

Industry is the final key consideration for matching jobs to the market. Some jobs only exist within a certain industry and are most accurately priced to that industry exclusively. Conversely, some jobs are found in all organizations, and the true market for these jobs usually considers this broader market. For example, most clerical and trade jobs can be found in any organization. For this reason, CBIZ focused on government and state support services or the broader labor market, as appropriate.

Salary Surveys

The first step in ascertaining the competitiveness of compensation was to determine what competitors pay for jobs comparable to those at the State. CBIZ used its proprietary survey database that aggregates data from thousands of valid and reliable published salary surveys and includes specific data based on geographic area, size of organization, years of experience, and industry – including government specific surveys. In addition, CBIZ relied on the National Compensation Association of State Governments (NCASG) survey for data specific to state governments. Data from the database and NCASG survey were reported separately.

Aging Data

Survey data must be adjusted to account for market pay movement between the time of publication and when the data are to be used. For example, a survey may have been conducted to report salaries effective as of September 1, 2018. In order to market-price the jobs at the State as of July 1, 2019, CBIZ had to age the survey data ten months. In addition, different surveys have different publication dates, and they must be aged to a common point in time. Put simply, aging the data provides up-to-date salary data and allows for an "apples to apples" comparison of survey data. All salary data were aged to reflect estimated market pay as of July 1, 2019. Data were aged using a factor of 2.2%, which is the anticipated salary growth rate. This figure reflects the value for projected pay movement as reported by WorldatWork's Salary Budget Survey.



Job Matching

For most positions, CBIZ relied on market matches from the 2016 study. However, positions with revised duties and responsibilities and newly created positions were reevaluated based on the job description provided by the State. When a valid match was found, the corresponding salary survey market data were recorded. CBIZ recorded the 25th, 50th, and 75th percentiles for both base salary and total cash compensation.

COMPENSATION STUDY RESULTS

Market Analysis

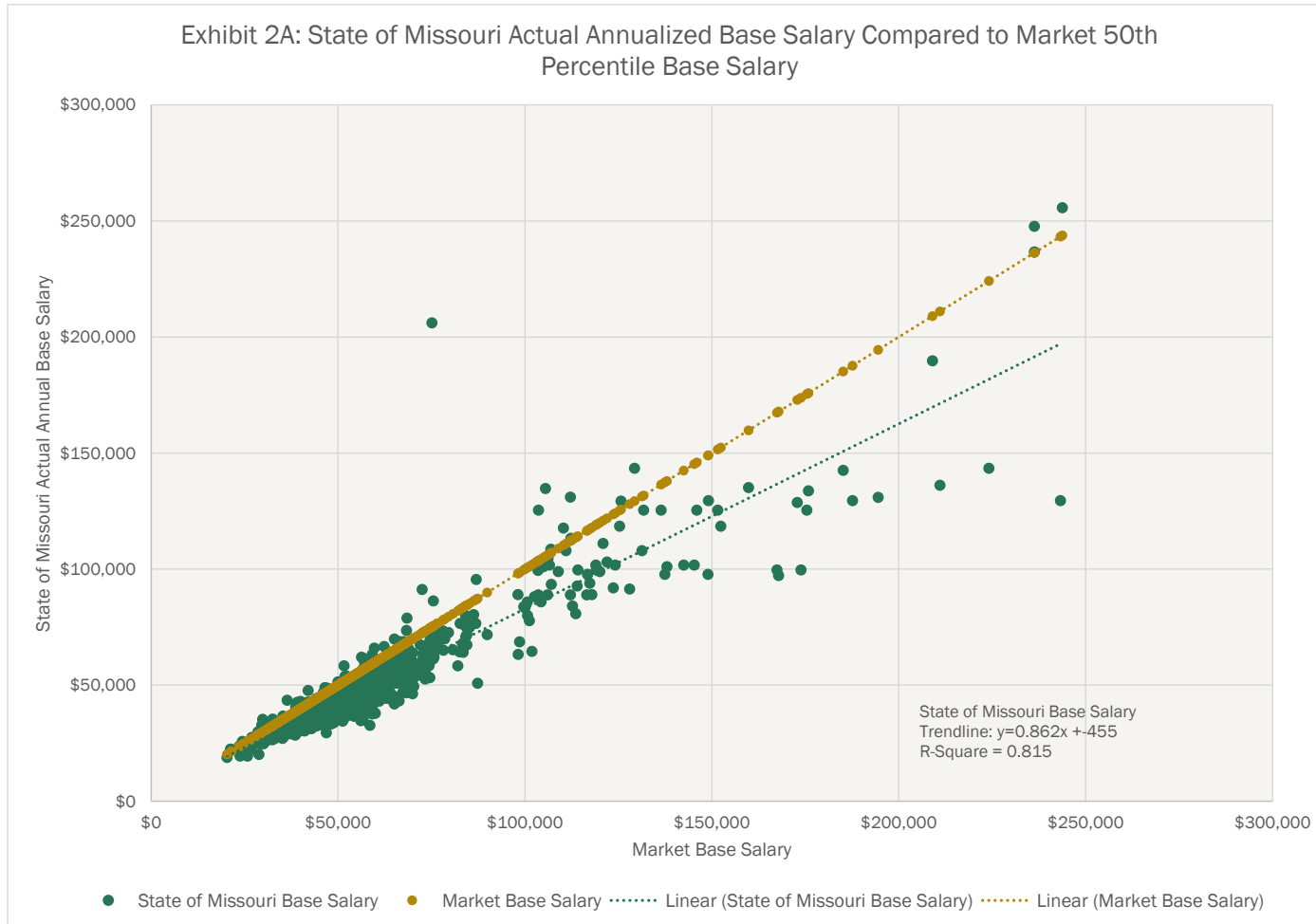
Exhibit 1A displays the composite market data for the State. The analysis is a comprehensive review of the included positions compared to the market base salary and market total cash compensation. The 25th, 50th, and 75th percentiles are reported. This exhibit provides a summary look at how the State's positions compare to the labor market. A detailed analysis with associated implementation costs is provided later in this report.

Exhibit 1A also displays comparison base salary data for positions matched to peer roles for the surrounding eight states (i.e., Illinois, Kentucky, Tennessee, Arkansas, Oklahoma, Kansas, Nebraska, and Iowa) as reported in the NCASG survey.

Exhibit 1B provides summary results for the Department Director and Division Director roles. This exhibit shows CBIZ's proposed executive level within the revised executive salary structure. CBIZ used market data to recommend new pay ranges for the respective executive levels in the proposed salary structure.

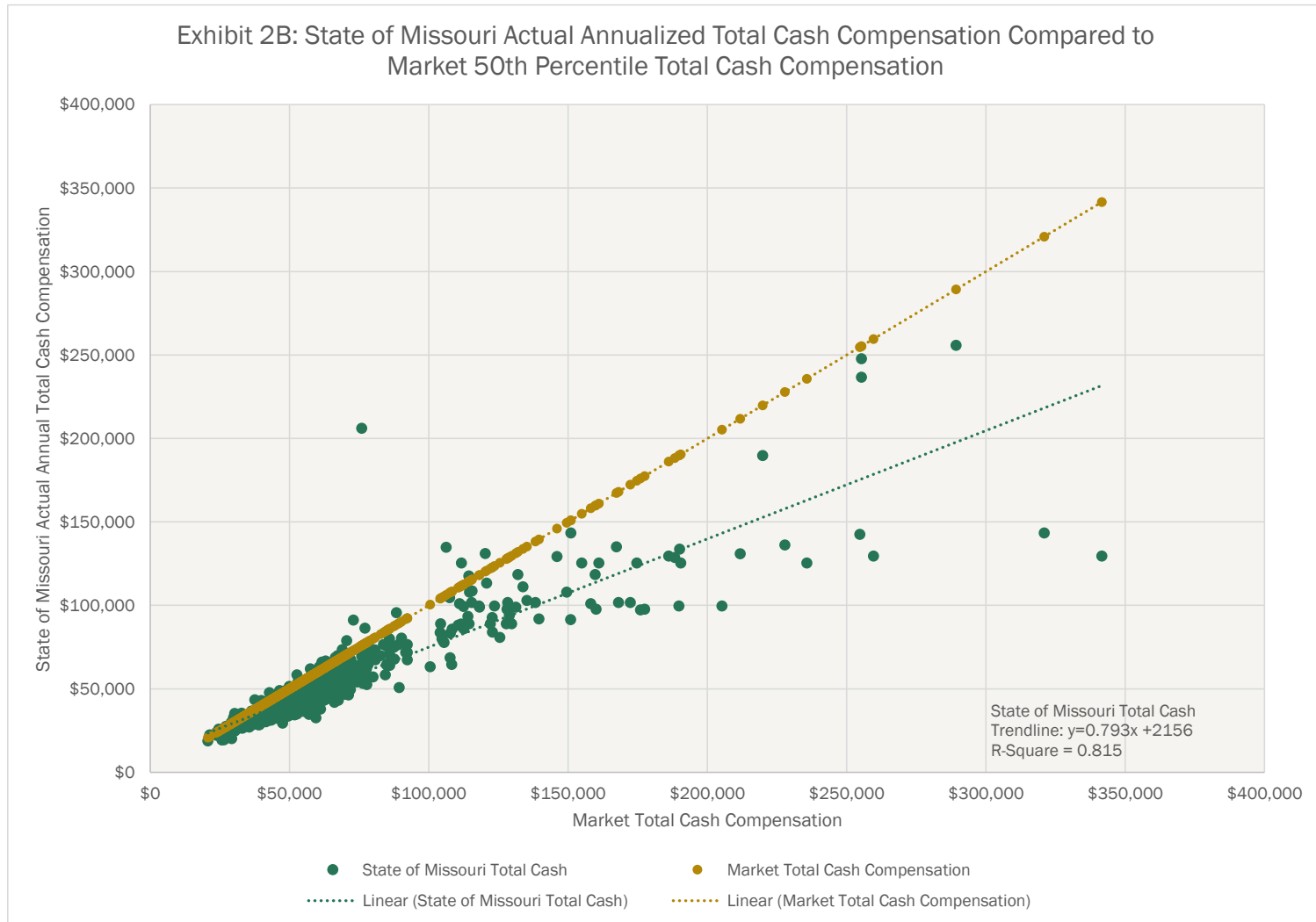
Exhibit 1C provides summary results for the Broadband manager roles. This exhibit identifies the Broadband managers and displays their corresponding market data. CBIZ used the market data to recommend a pay range for these positions.

Market data were also compared graphically to the State's current average compensation by position. Exhibit 2A reveals the trendline for actual and market 50th percentile base salary.



As evidenced by the number of green markers below the market trendline, there are a significant number of positions at lower salary levels paid below the market rate. However, base salaries provided by the State are closer to the market rate for lower-level positions than for higher-level positions.

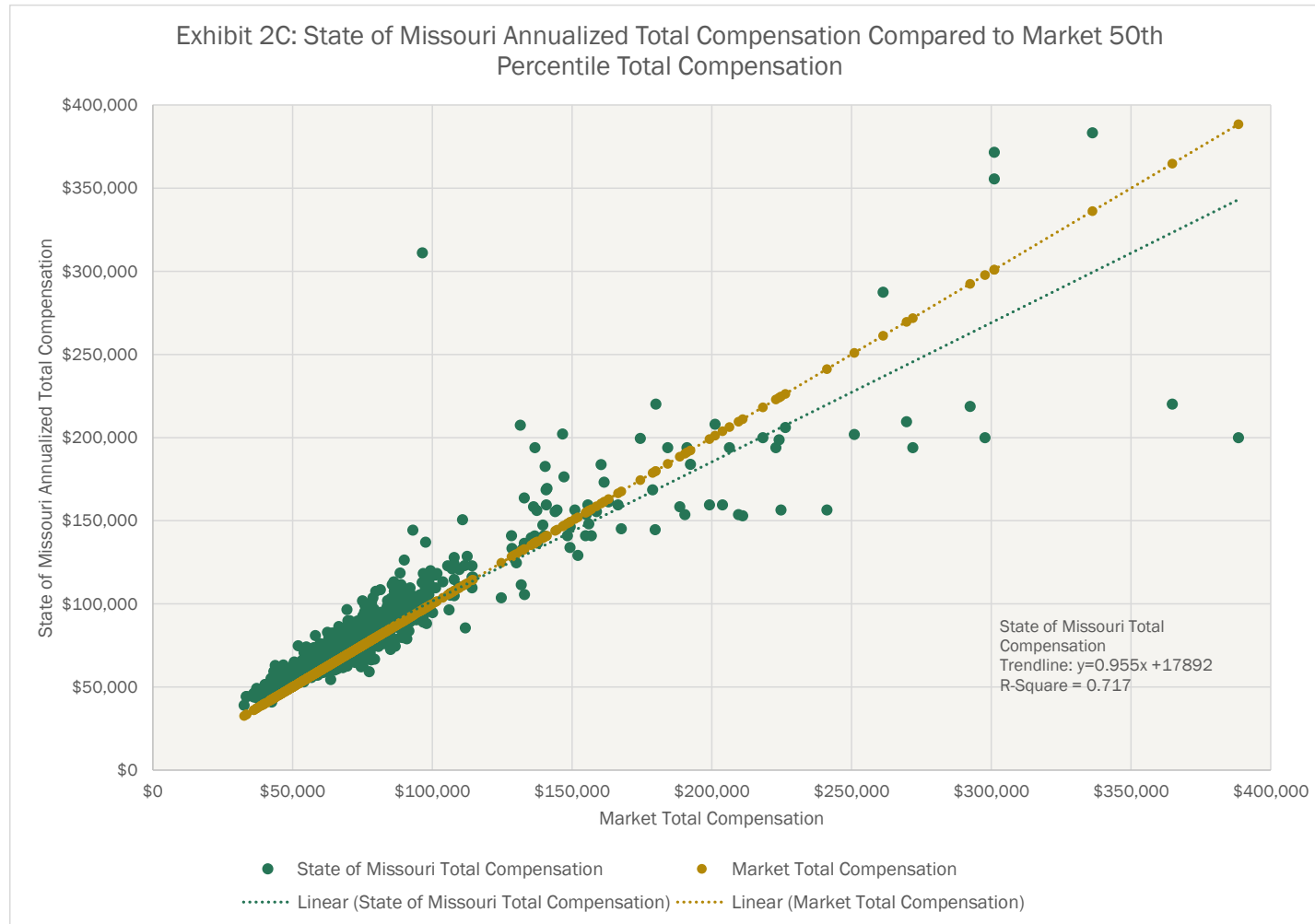
Exhibit 2B provides the trendline for actual and market 50th percentile total cash compensation.



This chart is similar to the previous chart, but the gap to market data widens slightly because the State does not provide incentive compensation.



Finally, Exhibit 2C provides the trendline for actual and market 50th percentile total compensation.



A review of the three charts reveals that compensation provided by the State is more competitive for lower-level positions than higher-level positions. The total compensation chart shows that lower-level positions exceed the market in most instances whereas higher-level

positions still tend to lag the market. The State's benefits package narrows the total compensation wage gap to the market. However, the gap remains significant in the aggregate at the top of the pay scale.

Salary Structure Development

A critical element of the compensation plan is the salary structure. The salary structure is a compensation framework comprised of multiple grades, each of which has an associated salary range. The salary structure groups jobs with similar market values and/or internal equity into the same grade. The salary structure ensures that each of the State's employees receives a salary that is reasonable given their assigned grade and corresponding salary range.

CBIZ developed unique salary structures for the State, which will provide a system for slotting all jobs and allow for future growth. The structures are provided in Exhibit 3 on the following page.

In the proposed salary structures, the salary grade midpoint is designed to approximate the market median for each job. CBIZ slotted each position into a grade in the structure based on the grade midpoint that most closely corresponds to the market 50th percentile identified in Exhibit 1A and 1B. For the Broadband manager positions, CBIZ created a single range to allow for increased flexibility.

EXAMPLE:

Job Title: Job XYZ

Market Median: \$35,455

<u>Salary 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

Exhibit 3 - Proposed Salary Ranges

Salary Range - Annual					
Grade	Minimum	Midpoint	Maximum	Range Spread	Midpoint Differential
1	\$17,888	\$22,360	\$26,832	50%	
2	\$20,035	\$25,043	\$30,052	50%	12.0%
3	\$22,439	\$28,048	\$33,658	50%	12.0%
4	\$25,805	\$32,256	\$38,707	50%	15.0%
5	\$29,675	\$37,094	\$44,513	50%	15.0%
6	\$34,126	\$42,658	\$51,190	50%	15.0%
7	\$38,476	\$49,057	\$59,638	55%	15.0%
8	\$46,171	\$58,868	\$71,565	55%	20.0%
9	\$55,405	\$70,642	\$85,878	55%	20.0%
10	\$66,486	\$84,770	\$103,054	55%	20.0%
11	\$78,249	\$101,724	\$125,199	60%	20.0%
12	\$93,899	\$122,069	\$150,239	60%	20.0%
13	\$117,374	\$152,586	\$187,798	60%	25.0%
14	\$143,949	\$190,733	\$237,516	65%	25.0%
15	\$176,604	\$238,416	\$300,228	70%	25.0%
BB	\$44,151	\$70,642	\$97,132	120%	
IV	\$74,074	\$100,000	\$125,926	70%	
III	\$92,593	\$125,000	\$157,407	70%	25.0%
II	\$111,607	\$156,250	\$200,893	80%	25.0%
I	\$139,509	\$195,313	\$251,116	80%	25.0%

Definitions

Grade: This is the identifier for the placement of a job within the salary structure.

Salary Range: This is the range of pay established for each grade.

Range Minimum: This is the lowest salary point within the salary range and represents attractive entry-level pay. The minimum should be considered the minimum level of market-competitive pay. Employees paid below this level may be at immediate risk of leaving due to pay and offering salaries below this level would create difficulties in attracting new employees.

Range Midpoint: This is the midpoint of the salary range, which approximates the market median. The median represents market-competitive pay and is the point at which half of the market is paid above and half below.

Range Maximum: This is the highest salary point within the salary range and should be considered the maximum level of market-appropriate pay.

Midpoint Differential: This is the percent difference from one range midpoint to the next. Midpoint differentials grow as the grades escalate to reflect that expectations and responsibilities tend to rise at an increasing rate as market values increase.

Range Spread: This is the percent difference between the range maximum and the range minimum. Range spreads grow wider as the grades escalate because the variability of market pay increases as the market value increases. In addition, this effect allows for more flexibility in pay setting as responsibilities increase.



In anticipation of future reduction in job titles and job levels and in anticipation of the State moving to pay for performance, CBIZ designed a broadband structure to accommodate these initiatives. The proposed structure will provide the State with the flexibility to make the appropriate business decisions based on an employee's experience, performance, job-relevant education and certifications, etc.. Because the proposed ranges are wider to provide increased flexibility, the State should not assume that employees should progress through the bands within a certain timeframe.

Salary Analysis

In 2016, CBIZ conducted a thorough geographic analysis of the cost of labor differences amongst the State's various locations. CBIZ found that the market rate for a given job does not exist uniformly across the state due to local labor market dynamics. However Chapter 36 of the Missouri Revised Statutes prohibits geographic differentials in compensation.² CBIZ's analysis suggests that if this prohibition were removed, the State could implement geography-based wage structures to better align with the respective work location labor markets, many of which are considerably below the statewide average.

² Director to prepare pay plan.

36.140. 1. After consultation with appointing authorities and the state fiscal officers, and after a public hearing, the director shall prepare and recommend to the board a pay plan for all classes subject to this chapter. The pay plan shall include, for each class of positions, a minimum and a maximum rate, and such provision for intermediate rates as the director considers necessary or equitable. The pay plan may include provision for grouping of management positions with similar levels of responsibility or expertise into broad classification bands for purposes of determining compensation and for such salary differentials and other pay structures as the director considers necessary or equitable. In establishing the rates, the director shall give consideration to the experience in recruiting for positions in the state service, the rates of pay prevailing in the state for the services performed, and for comparable services in public and private employment, living costs, maintenance, or other benefits received by employees, and the financial condition and policies of the state. **These considerations shall be made on a statewide basis and shall not make any distinction based on geographical areas or urban and rural conditions...**

2. Any change in the pay plan shall be made on a uniform statewide basis. **No employee in a position subject to this chapter shall receive more or less compensation than another employee solely because of the geographical area in which the employee lives or works.**

(L. 1945 p. 1157 § 15, A.L. 1957 p. 498, A.L. 1973 H.B. 133, A.L. 1996 H.B. 1146)



Exhibits 4A, 4B, and 4C compare the market data (and corresponding proposed salary ranges) to actual base salary at the State. Exhibit 4A presents results by grade, while 4B presents results sorted and subtotaled by department, and 4C is sorted and subtotaled by division. The first several columns of each exhibit are tied to State employee census data. The CBIZ analysis begins with the column *Market 50th Percentile*, which is the market median as identified in Exhibit 1A – 1C. Proposed *Market Pay Grade*, proposed *Range Minimum*, proposed *Range Midpoint*, and proposed *Range Maximum* tie back to the proposed salary structure in Exhibit 3 based on the methodology described on page 13 of this report. The *Compa-Ratio* is the *Annualized Salary* divided by the *Market 50th Percentile*. *Actual Below Minimum* calculates the difference between *Annualized Salary* and the proposed *Range Minimum* when the *Annualized Salary* is less than the proposed *Range Minimum*. This number is then adjusted based on the *FTE%*, which stands for full-time equivalent, to account for reduced schedules (e.g., an employee working half-time would be a 50% FTE). *Actual Above Maximum* performs a similar calculation for salaries above the proposed *Range Maximum*.

The State's average compa-ratio is 85.7% of the 50th percentile of the market. This indicates that, on average, base pay is approximately 14.3% below market.

The cost to implement the revised structure would be \$15,906,721, approximately 1.2% of the reviewed population payroll. This is the cost to bring all employees to the minimum of their respective proposed ranges. CBIZ does not recommend changing salaries for any employees paid above the minimum.

Among the 35,785 employees included in the scope of the pay study³, there are 6,760 employees below the salary grade minimum, and 83 above the maximum. Some records will not display market data and proposed salary structure information because either an appropriate market match was not found or job documentation was unavailable.

³ Practical constraints, including the financial limitations of the study and the lack of comparable private sector employment for certain public sector jobs, prevented a comprehensive evaluation of all statewide job titles.

The following positions were not included in the pay study:

- All of the positions within the legislative and judicial branches of government;
- All of the positions within the offices of the statewide elected officials (Governor, Lt. Governor, Secretary of State, State Auditor, State Treasurer, and Attorney General);
- All of the positions within the Department of Conservation;
- All of the positions within the various State colleges and universities;
- All of the positions within MOSERS, MCHCP, and other benefit administrators.
- Positions outside of the Uniform Classification and Pay (UCP) System in the following agencies: DIFP, OA/Ethics Commission, and DNR/Petroleum Storage Tank Insurance Board;
- Certain positions within DOLIR/Division of Worker's Compensation (Administrative Law Judge, Chief Administrative Law Judge, and Chief Legal Counsel);
- The majority of unclassified and exempt positions within Merit agencies and UCP Non-Merit agencies, respectively (for many of these titles, individual positions within the same job title are used in a wide variety of ways, making it impracticable to gather salary data and complete an effective analysis);
- Certain job classes within the following agencies: DESE, Higher Education, DPS/Missouri State Highway Patrol, and MODOT. A comprehensive evaluation of all statewide job titles was not feasible due to financial limits.

Exhibits 5A–5E summarize the Exhibit 4A analysis by different criteria. Exhibit 5A displays the summary information by department.⁴ The table below provides a succinct view of the number of employees below the minimums and above the maximums of the proposed pay ranges, as well as analysis of these figures as a percentage of the broader department population. Exhibit 5B provides similar analysis with the addition of division summary data. Exhibits 5C–5E display summary data reported by job for the entire State, job summary information by department, and job information by division, respectively.

Exhibit 5A - Department Summary Analysis

Department	Count	Total Payroll	Count Below Min	Salary Dollars Below Min	Below Min as a % of Total Payroll	Count Above Max	Salary Dollars Above Max	Above Max as a % of Total Payroll
AGRICULTURE-OPERATING	319	13,799,976	67	164,678	1.2%	8	15,188	0.1%
CORRECTIONS-OPERATING	9,966	338,387,860	2,190	4,362,457	1.3%	16	13,524	0.0%
DIFP-OPERATING	276	11,264,702	43	198,337	1.8%	2	46,465	0.4%
ECONOMIC DEVELOP-OPER	686	31,394,847	143	343,730	1.1%	3	9,648	0.0%
ELEM & SEC EDUCATION-OPER	411	12,381,846	38	90,973	0.7%	1	227	0.0%
HEALTH & SENIOR SERVICES-OPER	1,644	70,564,807	255	825,719	1.2%	0	0	0.0%
HIGHER EDUCATION-OPERATING	28	1,073,705	6	21,759	2.0%	0	0	0.0%
LABOR & INDUSTRIAL REL-OPER	560	21,798,551	208	261,723	1.2%	1	5,133	0.0%
MENTAL HEALTH-OPERATING	6,185	219,746,747	662	1,781,400	0.8%	39	1,437,113	0.7%
MO TRANSPORTATION-OPER	2,898	117,083,169	76	88,844	0.1%	8	33,701	0.0%
NATURAL RESOURCES-OPER	1,317	56,409,428	442	1,046,688	1.9%	1	935	0.0%
OFFICE ADMINISTRATION-OPER	1,656	78,327,696	644	2,160,191	2.8%	1	1,626	0.0%
PUBLIC SAFETY-OPERATING	2,382	88,375,181	195	498,502	0.6%	2	1,788	0.0%
REVENUE-OPERATING	1,138	39,320,292	178	441,514	1.1%	0	0	0.0%
SOCIAL SERVICES-OPERATING	6,319	224,103,734	1,613	3,620,206	1.6%	1	297	0.0%
Grand Totals	35,785	1,324,032,540	6,760	15,906,721	1.2%	83	1,565,647	0.1%

⁴ Please note that in Exhibit 5A, and all other exhibits, decimals for numbers are not formatted to display, but they are present. As a result, rounding occurs.



Benefits Analysis

The table on the following page and in Exhibit 6 outlines the results of the benefits analysis among two different comparator groups. The first comparison assesses the market-competitive benefit levels provided by the broad labor market in comparison to those of the State. The second comparison displays data for state governments as reported in the NCASG survey where available. In some minor instances, the data for this second comparison were supplemented with broad labor market benefits data. CBIZ determined the market-competitive benefits value based on a combination of fixed dollar values and percentages of base salary. For some benefits, namely medical and medical-related benefits, it is most accurate to utilize a fixed cost per employee because the cost incurred by the organization typically does not depend on the salary level of the employee. For example, healthcare benefits provided to an executive and a clerk would be expected to cost the employer the same amount. Other benefits, including paid time off and retirement and savings, are most accurately represented as a percent of the incumbent's base salary. The data points highlighted in yellow indicate whether the data point is assessed as a fixed cost or as a percentage.

State benefits data, aggregated for State employees across multiple state agencies and covered under multiple medical and retirement plans, is displayed.

In 2016, medical comparisons to the NCASG data were unavailable. In this analysis, CBIZ has supplemented the NCASG medical data with public sector published data.

The table then shows compa-ratios for how the State compares to the specific comparator group. The State's compa-ratio for the fixed-cost per employee items and the items assessed as a percent of base salary is 133.9% and 289.4%, respectively, when compared to the broader market comparator group. For the state government comparator analysis, the State's compa-ratio for fixed-cost per employee items is 87.5% and the State's compa-ratio for the percent of salary items is 139.2%.

Overall, the analysis indicates that the State's benefits program, when compared to the broader market, is above market with medical benefits and substantially above market in other areas, primarily with paid time off and retirement benefits.

Exhibit 6 - Benefits Analysis

Benefits	Average Market Data	Average State Gov Data	State of Missouri Actual Benefits	Compa-Ratios (Market)	Compa-Ratios (State Gov)
	Fixed Cost Tied to Headcount				
Medical and Medically-Related Payments	\$8,756	\$13,394	\$11,722	133.9%	87.5%
STD, Sickness or Accident Insurance	\$191	\$191	\$0		
LTD or Wage Continuation	\$166	\$166	\$184		
Medical Insurance Premiums	\$7,406	\$12,045	\$9,764		
Dental Insurance Premiums	\$205	\$205	\$0		
Vision Care	\$7	\$7	\$0		
Retiree Health Insurance Premiums	\$257	\$257	\$1,351		
Life Insurance and Death Benefits	\$123	\$123	\$139		
Prescription Drug Coverage	\$376	\$376	\$118		
Administration Costs	\$17	\$17	\$144		
Other (EAP, Other Emp Welfare)	\$8	\$8	\$14		
Employer Contributions to HSA & FSA	\$0	\$0	\$7		
Total Fixed Cost	\$8,756	\$13,394	\$11,722	133.9%	87.5%
	Variable Cost Tied to Payroll				
Payments for Time Not Worked	8.33%	12.34%	20.38%	244.6%	165.1%
Payments for Holidays	2.32%	4.27%	5.00%		
Paid Time Off & Vacation	4.13%	4.13%	11.16%		
Sick Leave Pay	1.42%	3.47%	3.28%		
Other	0.47%	0.47%	0.94%		
Retirement and Savings	6.65%	19.52%	24.90%	374.4%	127.5%
401(K) and Similar	2.62%	0.00%	0.00%		
Defined Benefit Pension Plan	2.17%	17.66%	24.90%		
Cash Balance or Other Hybrid Plan	0.05%	0.05%	0.00%		
Administration Costs	0.00%	0.00%	0.00%		
Other	1.82%	1.82%	0.00%		
Miscellaneous Benefit Pay	0.67%	0.67%	0.02%	2.3%	2.3%
Severance Pay	0.10%	0.10%	0.00%		
Dependent Care	0.00%	0.00%	0.00%		
Employee Tuition Reimbursement	0.22%	0.22%	0.00%		
Employee Relocation Reimbursement	0.30%	0.30%	0.01%		
Other	0.05%	0.05%	0.00%		
Total Variable Cost	15.7%	32.5%	45.3%	289.4%	139.2%
Benefits Formula	8,756 + 15.7% x Base Salary	13,394 + 32.5% x Base Salary	11,722 + 45.3% x Base Salary		



Finally, Exhibit 7 incorporates both actual and market data for base pay, total cash compensation, and benefits to provide a “Total Rewards” compa-ratio analysis. CBIZ used the broader market benefits data for purposes of the Total Rewards comparison. Exhibit 7 reveals the State’s compa-ratio for the respective compensation categories, including total compensation (i.e., the sum of total cash compensation and benefits). The State’s total compensation compa-ratio is 110.7%, which is approximately 10.7% above the market median.

Compression Analysis

CBIZ’s primary emphasis was to assign market-competitive ranges. As a secondary consideration, the State may consider alleviating compression within grades. Compression exists when inexperienced employees within a grade are paid an identical or similar rate as those with greater tenure. Exhibit 8 provides an interactive tool that will allow the State to model different scenarios to identify and alleviate compression by identifying a budget and working backwards into a scenario that fits within a budget. Please note that compression adjustments may undermine the State’s desire to move to pay for performance.

State Government Pay Ranking Analysis

The data on the following page, provided in more detail in Exhibit 9, illustrates the results of a ranking analysis conducted to assess the average annual pay of the State’s employees in comparison with other states. CBIZ determined the Average Annual Pay (AAP) of state employees, and then adjusted the results to a national scope by quantifying each state’s AAP with the respective state’s average cost of labor. The adjusted figure is listed as Adjusted Average Annual Pay (AAAP).

Using this methodology, Iowa shows an AAP of \$57,695, which ranks 17th nationally. The statewide cost of labor in Iowa is 92.1% of the national average. The Iowa AAAP is calculated by dividing \$57,695 by 92.1%, resulting in an AAAP of \$62,622. In the final AAAP, Iowa moves to 9th in the list. Conversely, a state like New Jersey, which has a cost of labor above the national level at 113.5%, moves down in ranking from 7th in AAP at \$67,638 to 14th in AAAP at \$59,593.

In this analysis, Missouri ranked 49th in terms of AAP and last in AAAP. CBIZ strongly cautions against basing decisions on this comparison alone. Average pay may be impacted more by staffing strategies than actual market competitiveness. For example, a state may contract with a services organization for cafeteria and custodial functions, thereby eliminating a significant portion of their lower-wage workforce and raising the average pay for the remaining employees. In addition, the State primarily competes against Missouri private industry and local governments for talent.

The data used were sourced from the US Census Bureau’s Census of Governments. The data were last revised on March 12, 2017. Higher Education payroll was disregarded as higher education pay is often attributed to the caliber of local state universities and university administration rather than state government salary spending. Only Full Time Equivalent employees were considered in the analysis.

Exhibit 9 - State Governments Pay Ranking

State	Average Annual Pay (AAP)	AAP Rank	Geographic Differential	Adjusted Average Annual Pay (AAAP)	AAAP Rank
California	\$82,683	1	112.0%	\$73,835	1
Rhode Island	\$72,042	4	105.7%	\$68,179	2
New York	\$74,764	2	110.4%	\$67,752	3
Illinois	\$69,265	6	103.0%	\$67,248	4
Connecticut	\$73,427	3	110.9%	\$66,210	5
Idaho	\$59,975	14	91.0%	\$65,943	6
Massachusetts	\$70,520	5	109.2%	\$64,609	7
Vermont	\$61,516	12	98.0%	\$62,803	8
Iowa	\$57,695	17	92.1%	\$62,622	9
Oregon	\$62,547	9	100.5%	\$62,257	10
Michigan	\$62,098	10	100.0%	\$62,088	11
Ohio	\$59,187	16	96.5%	\$61,312	12
Minnesota	\$61,565	11	101.4%	\$60,695	13
New Jersey	\$67,638	7	113.5%	\$59,593	14
Maryland	\$61,349	13	106.9%	\$57,416	15
South Dakota	\$50,022	29	88.1%	\$56,810	16
Alaska	\$64,036	8	113.0%	\$56,678	17
Montana	\$51,733	24	91.9%	\$56,292	18
Colorado	\$56,977	19	101.6%	\$56,061	19
Wyoming	\$53,304	22	95.3%	\$55,962	20
Wisconsin	\$54,504	20	97.8%	\$55,739	21
Nevada	\$57,259	18	102.8%	\$55,717	22
Washington	\$59,457	15	107.9%	\$55,121	23
New Mexico	\$50,787	26	92.3%	\$55,053	24
Louisiana	\$49,945	30	91.9%	\$54,337	25

State	Average Annual Pay (AAP)	AAP Rank	Geographic Differential	Adjusted Average Annual Pay (AAAP)	AAAP Rank
Pennsylvania	\$54,082	21	99.9%	\$54,145	26
Tennessee	\$48,563	36	90.2%	\$53,859	27
North Carolina	\$50,332	27	93.8%	\$53,669	28
Kansas	\$48,567	35	90.9%	\$53,448	29
Utah	\$49,398	32	92.9%	\$53,183	30
Alabama	\$48,469	37	92.3%	\$52,512	31
Texas	\$50,110	28	95.8%	\$52,307	32
New Hampshire	\$52,969	23	101.8%	\$52,050	33
North Dakota	\$49,870	31	96.2%	\$51,840	34
Oklahoma	\$45,213	42	87.5%	\$51,652	35
Nebraska	\$46,778	39	90.8%	\$51,527	36
Maine	\$48,810	33	95.3%	\$51,200	37
Virginia	\$51,700	25	101.4%	\$50,978	38
Arizona	\$47,466	38	95.0%	\$49,981	39
Kentucky	\$45,335	41	91.4%	\$49,627	40
Arkansas	\$43,084	45	88.0%	\$48,941	41
South Carolina	\$43,846	43	91.9%	\$47,719	42
Delaware	\$48,757	34	103.0%	\$47,322	43
Indiana	\$43,440	44	94.5%	\$45,976	44
Mississippi	\$39,595	48	87.8%	\$45,080	45
Georgia	\$42,798	46	95.1%	\$45,019	46
Hawaii	\$45,824	40	104.5%	\$43,858	47
Florida	\$41,845	47	95.5%	\$43,801	48
West Virginia	\$38,014	50	89.7%	\$42,371	49
Missouri	\$38,929	49	94.4%	\$41,223	50

Data reported as of March 12th, 2017



SUMMARY OF FINDINGS

- The State's average base salary compa-ratio is 85.7% at the 50th percentile. This indicates that on average base pay is approximately 14.3% below the published survey data market median.
- There are many reasons that an individual employee's pay may be above or below market median pay levels. New employees or poor performers should be paid below the market, while experienced employees with excellent performance should be paid well above the market.
- As presented in Exhibit 4A – 4C, the initial cost to implement the new structures would be approximately \$15,906,721. This is the cost to bring all employees to the minimum of their respective proposed ranges and represents 1.2% of payroll.
- In the analysis, 83 employees are above the maximum of the ranges by a total of \$1,565,647.
- Among the 35,785 employees included in the scope of the analysis, there are 6,760 below their respective salary grade minimums.
- The State's benefits are above-market when compared to the broader labor market. For lower-level jobs, the above market benefits generally overcome the deficiencies of below-market base pay and zero bonus opportunity; however, this is not the case for many higher-level jobs.



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.
- Consider implementing a merit matrix tool (or concept) to reward performance. The merit matrix is a tool that rewards employees based on performance while accelerating pay to market-competitive levels.
- 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.
- Consider total reward statements to communicate the full rewards package value.
- Consider TCOfferers to communicate the full value of job offers to candidates.