



State of Colorado Annual Compensation Report FY 2016-17

Frequently Asked Questions (FAQs)

How does the State of Colorado maintain its compensation system?

- The Department of Personnel & Administration is responsible for setting and maintaining the State of Colorado compensation system.
- To ensure the State of Colorado is able to recruit and retain a strong workforce, Colorado Revised Statute (C.R.S.) 24-50-104, requires the Department of Personnel & Administration to conduct an annual study that evaluates prevailing total compensation practices, levels and cost.
- The annual compensation report reflects any adjustments necessary to maintain the salary structure, state contributions for group benefit plans, and merit pay for the upcoming fiscal year, July 1 through June 30.

What is the State of Colorado's total compensation philosophy?

- The State of Colorado's compensation philosophy is defined in Colorado Revised Statute (C.R.S.) 24-50-104 and requires that the State of Colorado provide **prevailing total compensation**.
- "Total compensation" is defined in (C.R.S.) 24-50-104(1) and includes, but is not limited to, salary, group benefit plans, retirement benefits, merit pay, incentives, premium pay practices, and leave.

How did the State of Colorado conduct the FY 2016-17 Annual Compensation Report?

- The State of Colorado FY 2016-17 Annual Compensation Report integrated survey findings prepared by Milliman Inc. with data from private and public organizations to compare the total and component costs, and values of the State's total compensation package.

What methodology was used in the FY 2016-17 Annual Compensation Report?

- Milliman developed the methodology for the study used by the State of Colorado to conduct the FY 2016-17 Annual Compensation Report.
- **Prevailing:** Milliman used the market 50th percentile/median to measure the State's base salary and total compensation value relative to public and private sector organizations.
- **Base Salary:** Milliman compared the State's weighted average of actual salaries (not salary ranges) of State employees to the market. A total of 512 job classes were reviewed for the study. Of the 512 job classes, 395 were matched in the market, representing 77% of all state job classes.
- **Total Compensation Value:** To evaluate the competitiveness of the total compensation package offered by the State, the methodology used by Milliman centered on the relative value of the compensation package as opposed to solely the cost. "Relative value" is defined in terms of the dollar value received by the employee compared to the dollar cost to the employer to provide the benefit.

What did the FY 2016-17 Annual Compensation Report find?

Base Salary

- **Overall Findings:** Milliman found that on average, actual base salaries for State employees are 3% below the 50th percentile/median of the market.
- **Market Projected Base Salary Increase:** Milliman reports a 3% overall pay increase for 2016.
- **Market Projected Salary Range Structure:** Milliman reports a 2% overall structure adjustment for 2016.





What did the FY 2016-17 Annual Compensation Report find? (continued)

Total Compensation Value

- The Milliman Client Report found that the State's total compensation package provided to employees is competitive with the market. Milliman reports that compared to market, the State is 2% below prevailing market levels. Acceptable variance for compensation plans is plus or minus 5% from market median.
- **Base salary** accounts for 76% of the State's total compensation.
- **Benefits** (medical, dental, life, disability and retirement) account for 24% of the State's total compensation. In that comparison, Milliman found that the overall value of these benefits is 8.3% higher, on average, than the benefits received by measurably similar workers in the market.
- **Retirement** accounts for 10% of the State's total compensation. Overall, the value of the State's retirement plan is 11.6% higher than market retirement plans, inclusive of Social Security.

Individual Class Structure Findings

- Of the 395 class titles that were analyzed against market practice Milliman reports that the majority of the State's classes are compensated within a normal range around the market median.
- Comparisons of the Custodian and the Police Officer classes find the State's actual salaries to be outside a competitive position in relationship to the market, (i.e., behind market by an overall percentage greater than 7.5% for two years). The State may consider range adjustments for the Custodian and Police Officer to ensure a competitive position relative to market.

System Maintenance Studies

- The Department of Personnel & Administration conducted system maintenance studies for the General Professional (GP) and IT classification series.
- Analysis of the GP classification identified 34 new classifications in the Professional Services occupational group.
- Analysis of the IT classification identified nine new classifications.
- The Department of Personnel & Administration believes that implementing the deconsolidation of the GP and IT Professional classification series will strengthen the State's ability to demonstrate comparability between the benchmark jobs used to compare to the market.
- Milliman's market comparison supports the department's proposal to deconsolidate the GP and IT classification series. The Department is analyzing Milliman's projected cost associated with the deconsolidation and will report those in the November 1 Budget Request to the General Assembly.

What does this mean for employees next year?

- Employees can access compensation plan design information for FY 2016-17, including the FY 2016-17 Annual Compensation Report in its entirety, at colorado.gov/dhr/FY2016-17AnnualCompPlan.
- The findings in the annual compensation report are subject to approval and funding by the Governor and General Assembly.
- In May 2016, following the legislative process, the State Personnel Director announces the final compensation plan, prior to the July 1, 2016 implementation.

