

FY 2018-19

ANNUAL TOTAL COMPENSATION

SURVEY PROCESS &

METHODOLOGY



Meet & Confer Topics



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- Total Compensation Model

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- Benchmark Jobs
- Labor Market
- Compensation Surveys
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Introduction

Who We Are

More about Us

Gallagher Benefit Services, Inc. (GBS) with offices throughout the United States, including Denver.

30 years of nationwide experience

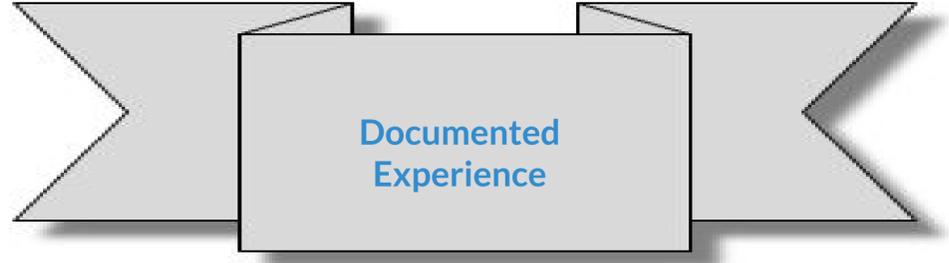
Practical and realistic solutions for HR issues including

- Compensation & Benefits
- Classification
- Job Evaluation
- Performance Management
- Organization Development
- Health, Welfare Benefits and Retirement

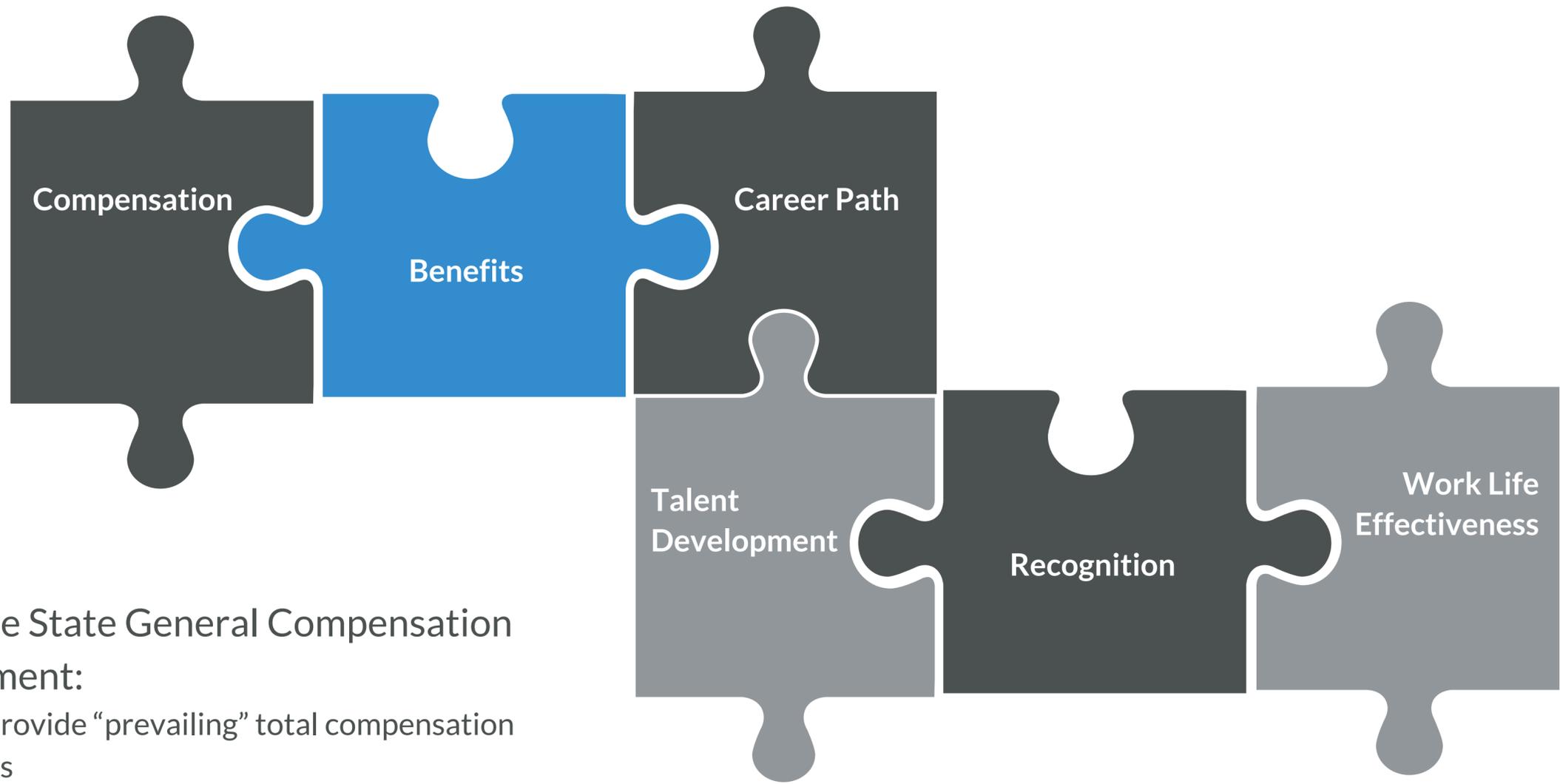


Arthur J. Gallagher & Co.

BUSINESS WITHOUT BARRIERS™



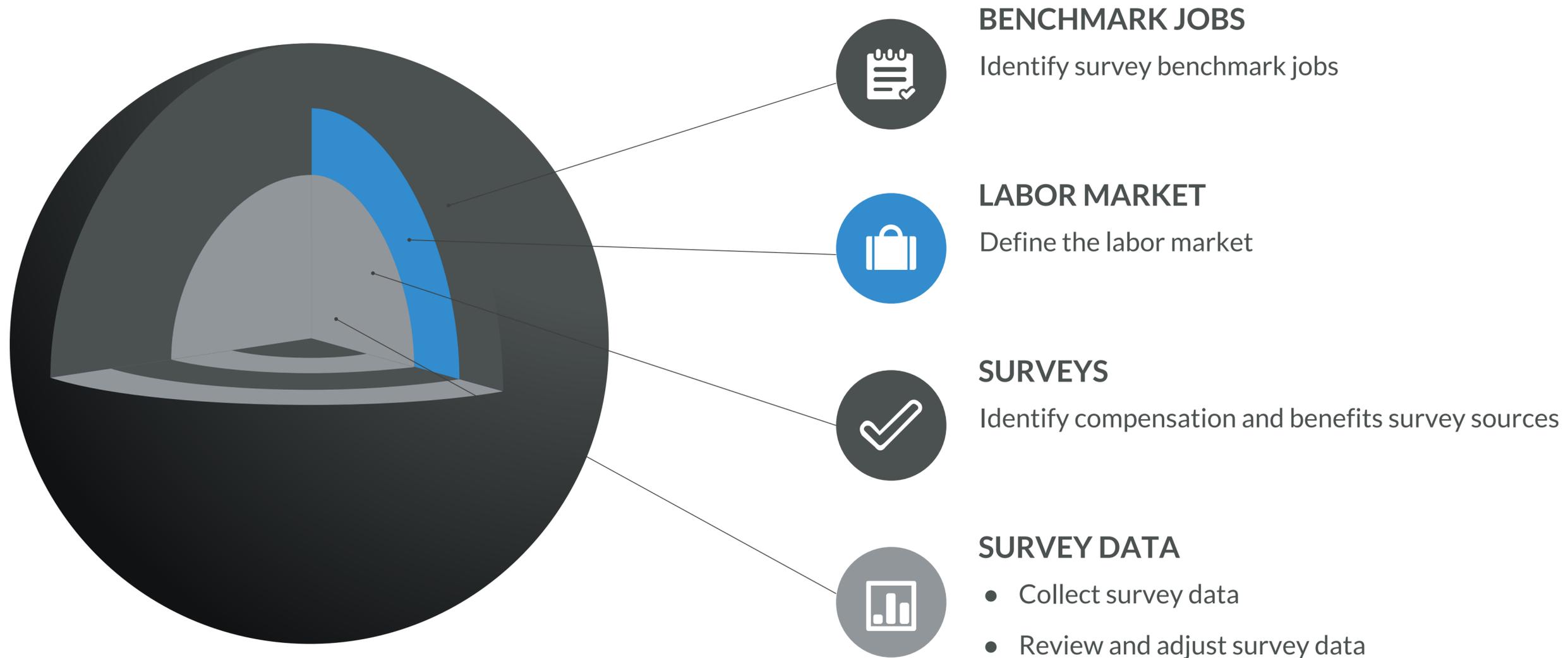
Total Compensation Model



Align with the State General Compensation Policy Statement:

- Policy is to provide “prevailing” total compensation to employees
- Recruitment, motivation and retention of qualified and competent workforce

Annual Survey Process



Benchmark Jobs

- ◆ Selected benchmark jobs from the State's classified system consisting of 667 classifications
 - A total of 231 or 35% of State classified jobs were identified as benchmarks

- ◆ Benchmark jobs represent anchor points used for making State salary comparisons with the market

- ◆ We utilize the following guidelines for benchmark selection:
 - Representation of all job families and levels throughout the organization
 - Highly populated jobs
 - Jobs found in most organizations
 - Jobs with recruitment or retention problems



Labor Market

- ◆ Defined primary labor market for collecting and comparing prevailing salary and benefits data, market trends and salary budget planning information
- ◆ We follow professionally accepted guidelines for defining labor markets and survey participants:
 - Similar geography
 - Comparable size: Budget, population, direct competitors
 - Data cuts: Industry (public and private sector) and geography (concentric circles)

Survey Sources

- ◆ Custom survey developed for collecting benefits and retirement offerings

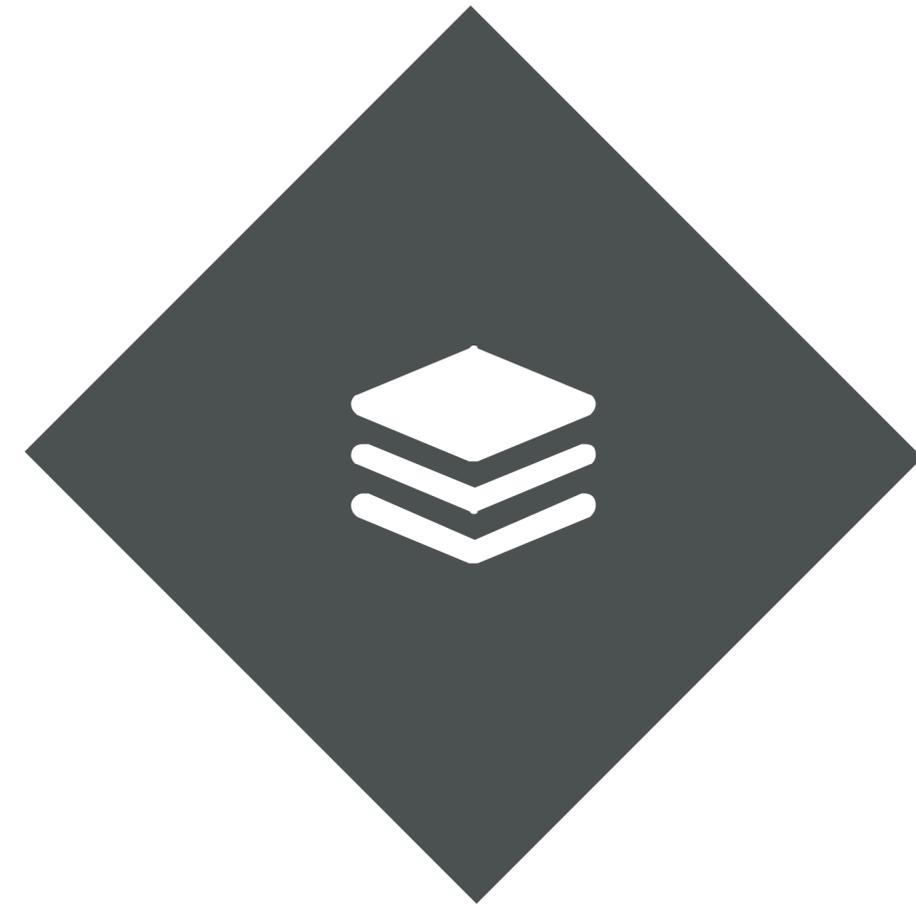
- ◆ Published survey sources identified and approved for compensation research

- ◆ Any published sources utilized must meet the following criteria:
 - Be conducted by a reputable salary survey firm
 - Survey data is not self reported
 - Survey is conducted on a continual basis instead of a one-time event
 - Survey reports its data sources, the effective date of the data, and was tested to ensure accurate matches and data

Survey Sources

◆ Sample published survey sources utilized:

- Towers Watson survey library
- Mercer survey library
- CompData Benchmark Pro survey library
- National Compensation Association of State Government (NCASG) survey
- Mountain States Employers Council Information Technology Compensation survey
- Economic Research Institute (ERI)



Survey Data Collection

◆ Survey data collected using the following steps:

- **Select appropriate job matches:** Involves comparing benchmark job summaries to comparable job matches from survey
- Review State job descriptions and other job documentation to ensure we understand the duties and responsibilities of benchmark jobs, their level of job functioning, and the reporting relationships to make appropriate job matches from published survey sources
- We follow standard compensation guidelines for job matching (match only those jobs that match at least 70% of the duties, responsibilities and functions as outlined in the benchmark job summary)

Survey Data Collection

- ◆ **Identify Career Level for selected job match:** Based on level of authority, complexity, years of experience e.g. entry, intermediate, senior, supervisor, managerial, senior management

- ◆ **Select appropriate market:**
 - Industry: public and private sector
 - Geographic location:
 - Local market- entry and midlevel support and professional positions
 - Regional and National market- management positions
 - Organization size: budget, full-time employee population



Survey Data Collection

◆ Sample Survey Job Description:

Accounting- Intermediate: Establishes and maintains accounting policies and controls, fiscal controls, preparing financial reports and safeguarding the organization's assets. Maintains accounting and financial records and reports, including general ledger, financial statements, regulatory and management reports. **LEVEL:** Intermediate. Has working knowledge and experience in own discipline. Continues to build knowledge of the organization, processes and customers. Performs a range of mainly straightforward assignments. Uses prescribed guidelines or policies to analyze and resolve problems. Receives a moderate level of guidance and direction.

(Towers Watson Survey Library)

Survey Data Collection

Data Sample

XYZ Organization
 Benchmark Job: Accountant II
 Survey Data Updated to: 1 January, 2016
 Market Trend Factor: 3% Salary Budget
 Geographic Adjustment: adjusted to State CO

Survey Source	Job Match	Survey Data-Cut	Base Salary Market 25 th	Base Salary Market 50 th	Base Salary Market 75 th	Total Cash Market 25 th	Total Cash Market 50 th	Total Cash Market 75 th
Compdata Survey	Accountant I	State: Colorado	\$44,400	\$47,700	\$49,800	\$45,900	\$48,600	\$51,900
Towers Watson	Accountant-Intermediate	Industry: Public Administration	\$44,000	\$50,300	\$65,000	\$44,000	\$50,300	\$65,000
Mercer	Accountant-Experienced	Denver, CO	\$53,600	\$59,100	\$67,000	\$55,000	\$61,200	\$68,300
AVERAGE:			\$47,333	\$52,367	\$60,600	\$48,300	\$53,367	\$61,733

Survey Data Collection

Data Sample

We perform several reviews of the data to ensure appropriate job match, level, data-cut, and data entry accuracy

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Benchmark Job: Accountant II
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AVERAGE:			\$47,333	\$52,367	\$60,600	\$48,300	\$53,367	\$61,733

- Items we check for and follow-up on are:
 - Job matches
 - That the labor market is right for each benchmark
 - The range of salaries reported for each benchmark
 - Relationship of progression levels (e.g., a level II job should have a higher salary than a level I job)
 - Data entry accuracy

Survey Data Adjustments

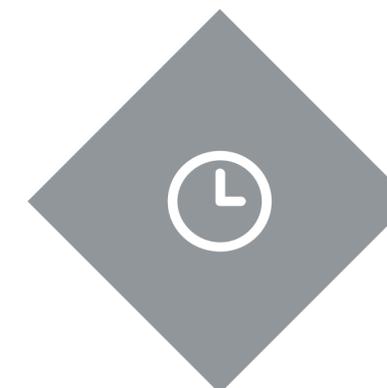
Geographical Adjustment

- ◆ We apply geographic differentials to ensure that the data is reflective of the State’s labor market and economic conditions. All data will be geographically adjusted to State of Colorado labor market.
- ◆ We use third party resources (Economic Research Institute) to identify the appropriate geographic differences. These geographic differentials will be shown separately.



Aging Salary Data

- ◆ Age all market salary data to common effective date i.e. July 1, 2017 using the *WorldatWork* prevailing market trend for Salary Budget increases.



Benchmark Comparisons

Data Statistics

- ◆ We calculate various statistics for summarizing the market data and assessing State's competitiveness with the market
 - Means, medians, percentiles, high/low



Data Calculation from the Market

- ◆ For each benchmark comparison, the percentage difference between the State's average actual salary and market salary is calculated to determine whether the State's actual salaries and salary ranges are above, below or competitive with prevailing market



Strategic Approach

Calculating Total Compensation

Compensation



- Base salary
- Total cash

Benefits



- Medical coverage
- Dental and vision plans
- Life insurance
- Long-term disability insurance
- Short-term disability insurance/sick leave
- Paid time off
- Retirement (DC or DB)

Strategic Approach

Medical Total Effective Cost Share

- ◆ Enlightened approach to more holistically compare overall medical value being provided

- ◆ Traditional approaches focus on only the most prevalent plan
 - Doesn't capture whole picture – choice, elections, value

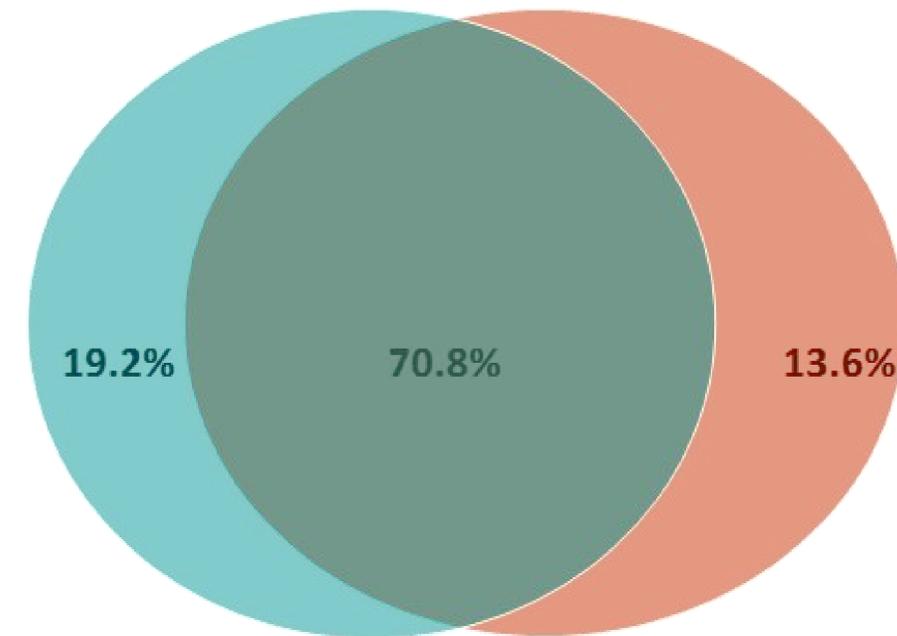
- ◆ Seeks to:
 - Assess, compare delivered value
 - Employee contributions - “universal tax”
 - Plan design - “user tax”

Strategic Approach

Medical Total Effective Cost Share

- ◆ Left portion reflects employee premium cost share across all plans
- ◆ Right portion reflects employee out of pocket cost share across all plans
- ◆ Center portion reflects percentage of *all* plan costs paid by employer
- ◆ Allows an employer to compare value, and align with both market and internal philosophy

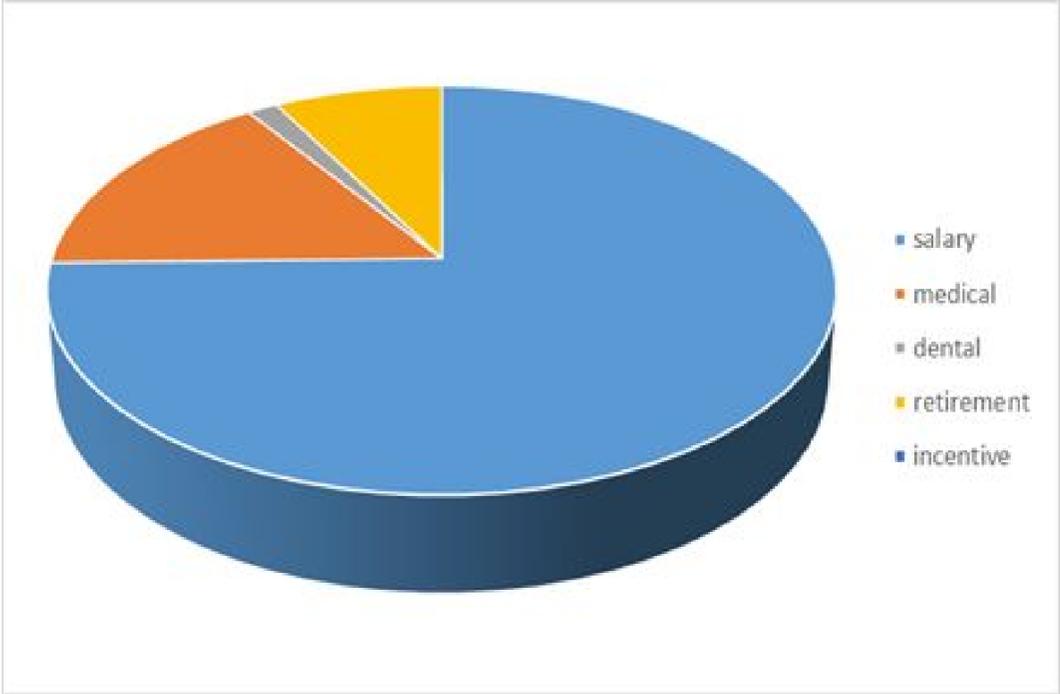
2015 GBS - Denver Benchmark



Strategic Approach

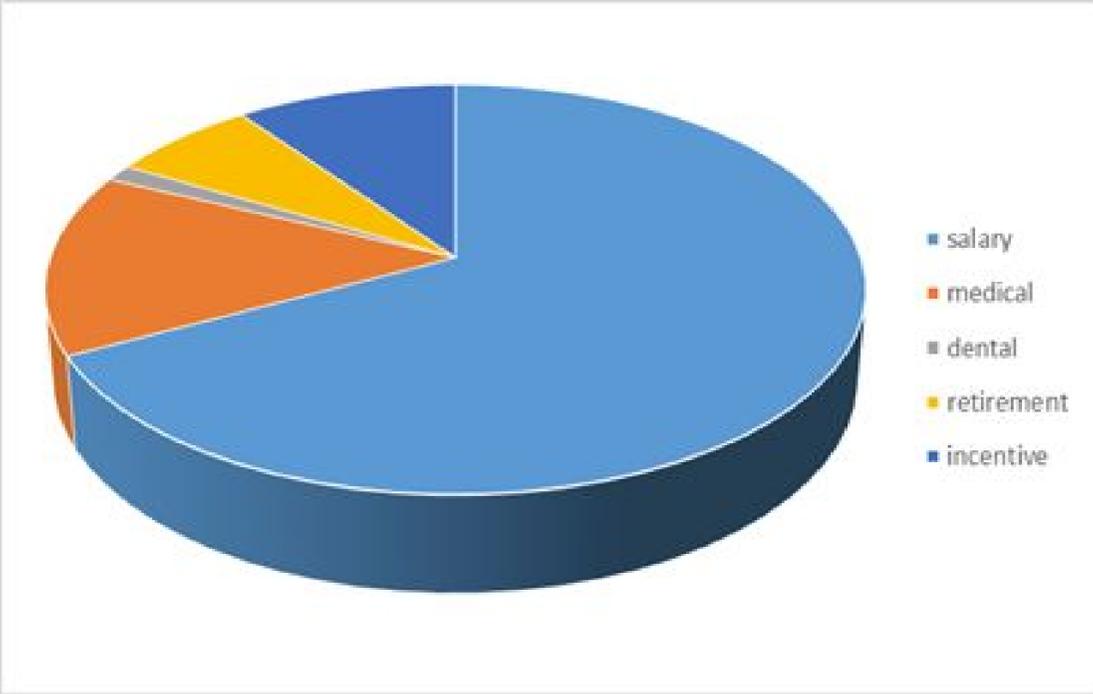
Total Compensation

\$56,894



Company
XYZ

\$62,676



Market
Median

THANK YOU AND QUESTIONS



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