

Compensation and Benefit Study

MARCH 19, 2019



Agenda

- ▶ Introduction of Compensation and Benefit Survey by Town Staff
- ▶ Presentation of the Compensation and Benefit Study by Evergreen Consulting
- ▶ Decision Points for Town Council Discussion & Next Steps

Introduction

Compensation and Benefit Survey

- ▶ In November 2018, the Town began their engagement with Evergreen Consulting to conduct the study.
- ▶ Several factors in addition to market concerns, including concerns with turnover and compression, led to the decision by Town Council to conduct a Town-wide Compensation and Benefit Study.

Presentation of Final Report



Evergreen Solutions

Solutions Summary from Evergreen & Impact to Taxable Value

OR

	Option	Police	Fire	General	Total	Cost per \$1M of Taxable Value (5%)
A:	Bring Employees' Salaries to New Minimums	\$228,298	\$10	\$145,158	\$373,467	\$21
B:	Closest Step in Revised Pay Plan	\$60,277	\$113,721	N/A	\$173,998	\$30
C:	Current Range Penetration	\$477,774	\$364,882	\$1,194,081	\$2,036,736	\$131
D:	Current Range Penetration - Capped at Midpoint	\$326,921	\$250,204	\$401,233	\$978,359	\$73
E:	Move Toward Market (3 Tier) & Closest Step in Revised Pay Plan	\$378,612	\$461,220	\$222,511	\$1,062,343	\$78
F:	Move Toward Market (2 Tier) & Closest Step in Revised Pay Plan	\$454,788	\$484,572	\$71,764	\$1,011,124	\$75

Cost for Firefighter Workweek Change

	Firefighter / Paramedic	
	50.4 hour workweek	48 hour workweek
Annual Salary	\$ 61,474.80	\$ 61,474.80
Hourly	\$ 23.4565	\$ 24.6293
FICA	\$ 4,702.82	\$ 4,702.82
Health Insurance	\$ 10,511.00	\$ 10,511.00
Pension	\$ 5,784.78	\$ 5,784.78
Total	\$ 82,473.40	\$ 82,473.40

**Annual Cost for
3 positions \$ 247,420.19**

Step plans presented by Evergreen Consulting include hourly rates based on workweek changes.
(Current 2620.8 hours/year for 50.4 hour workweek to 2496 hours/year for 48 hour workweek)

Next Steps

- ▶ In preparation of April 1st Meeting:
 - ▶ One-on-one Meetings with Staff and Town Council;
 - ▶ Staff requests decision on specific elements today from Town Council in order to proceed with further detailed analysis.
- ▶ Project Team and Department Directors, will meet to review survey results and discuss potential market anomalies with Evergreen Consulting to ensure data validity.
- ▶ All solutions presented and budget impact will be discussed in detail on April 1, 2019. This includes compensation, retirement and other benefits.

Next Steps

- ▶ Staff requests decision on specific elements today from Town Council in order to proceed with further detailed analysis.
 - ☑ Market Placement
 - ☑ Pay Plan Structure (Merit, Step, or Hybrid)
 - ☑ Address Compression
 - ☑ Pay Progression
 - ☑ Retirement and Other Benefits

Suggested Decision Points for Today

Topic	Background and Question
Market Placement	<p>Pay range placement has been historically based on the 75th percentile (or top quartile) of the market.</p> <p>Does Town Council wish to maintain this practice or consider alternatives such as 50th percentile (or average) of the market or otherwise?</p>

	Option	Police	Fire	General	Total	Cost per \$1M of Taxable Value (5%)
A:	Bring Employees' Salaries to New Minimums	\$228,298	\$10	\$145,158	\$373,467	\$21

Suggested Decision Points for Today

Topic	Background and Question
Pay Plan Structure (Merit, Step, or Hybrid)	<p>Currently all employee groups are on pay system based on merit.</p> <p>Does the Town Council want to maintain this system, change to a 10-step plan for Police and Fire (as shown to be common in the market per the study), or pursue other alternatives, such as a hybrid merit step system?</p>

	Option	Police	Fire	General	Total	Cost per \$1M of Taxable Value (5%)
B:	Closest Step in Revised Pay Plan	\$60,277	\$113,721	N/A	\$173,998	\$30

Suggested Decision Points for Today

Sample: Standard 10-Step versus Merit Step for Police Officers, Using Existing FY19 Pay Range

POLICE OFFICER

STEP	Starting Pay 1	FTO ¹	2	3	4	5	6	7	8	9	10
% Between Steps		1%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%
\$ Between Steps		\$ 0.26	\$ 1.64	\$ 1.74	\$ 1.85	\$ 1.97	\$ 2.09	\$ 2.22	\$ 2.36	\$ 2.51	\$ 2.67
Hourly Rate	\$ 25.7254	\$ 25.9827	\$ 27.6205	\$ 29.3617	\$ 31.2126	\$ 33.1802	\$ 35.2718	\$ 37.4952	\$ 39.8589	\$ 42.3715	\$ 45.0425
Salary*	\$ 53,843.26	\$ 54,381.69	\$ 57,809.81	\$ 61,454.02	\$ 65,327.95	\$ 69,446.10	\$ 73,823.84	\$ 78,477.54	\$ 83,424.60	\$ 88,683.52	\$ 94,273.95

¹ FTO Step represents the 1% pay increase Police Officers receive upon completion of their Field Training Officer program as a new hire.

Suggested Decision Points for Today

Sample: Standard 10-Step versus Merit Step for Police Officers, Using Existing FY19 Pay Range

MERIT STEP PLAN

POLICE OFFICER

	STEP	Starting Pay 1	FTO ¹	2	3	4	5	6	7	8	9	10	11	12
Review Score of 3.0 - 3.49	M1		1%	5.5000%	5.5000%	5.5000%	5.5000%	5.5000%	5.5000%	5.5000%	5.5000%	5.5000%	5.5000%	1.4879%
Hourly Rate		\$ 25.7254	\$ 25.9827	\$ 27.4117	\$ 28.9193	\$ 30.5099	\$ 32.1880	\$ 33.9583	\$ 35.8260	\$ 37.7964	\$ 39.8752	\$ 42.0684	\$ 44.3821	\$ 45.0425
Salary*		\$ 53,843.26	\$ 54,381.69	\$ 57,372.69	\$ 60,528.19	\$ 63,857.24	\$ 67,369.38	\$ 71,074.70	\$ 74,983.81	\$ 79,107.92	\$ 83,458.85	\$ 88,049.09	\$ 92,891.79	\$ 94,273.95
Review Score of 3.5-4.0 ²	M2		1%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%	6.3038%		
Hourly Rate		\$ 25.7254	\$ 25.9827	\$ 27.6205	\$ 29.3617	\$ 31.2126	\$ 33.1802	\$ 35.2718	\$ 37.4952	\$ 39.8589	\$ 42.3715	\$ 45.0425		
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Review Score of 4.01 or above	M3		1%	8.5000%	8.5000%	8.5000%	8.5000%	8.5000%	8.5000%	6.2577%				
Hourly Rate		\$ 25.7254	\$ 25.9827	\$ 28.1912	\$ 30.5874	\$ 33.1874	\$ 36.0083	\$ 39.0690	\$ 42.3899	\$ 45.0425				
Salary*		\$ 53,843.26	\$ 54,381.69	\$ 59,004.14	\$ 64,019.49	\$ 69,461.15	\$ 75,365.34	\$ 81,771.40	\$ 88,721.97	\$ 94,273.95				

¹ FTO Step represents the 1% pay increase Police Officers receive upon completion of their Field Training Officer program as a new hire.

² Average review score for a Police Officer is 3.72

Suggested Decision Points for Today

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MERIT STEP PLAN

POLICE OFFICER

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² Average review score for a Police Officer is 3.72

Suggested Decision Points for Today

Topic	Background and Question
Address Compression	<p>Four of the six solutions presented by the consultant address compression (C – F).</p> <p>Does Town Council wish to pursue models for addressing compression, or simply explore market range adjustments with no pay adjustments to address compression?</p>

	Option	Police	Fire	General	Total	Cost per \$1M of Taxable Value (5%)
C:	Current Range Penetration	\$477,774	\$364,882	\$1,194,081	\$2,036,736	\$131
D:	Current Range Penetration - Capped at Midpoint	\$326,921	\$250,204	\$401,233	\$978,359	\$73
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Suggested Decision Points for Today

Topic	Background and Question
Pay Progression	<p>Currently employee pay progresses thru a pay range based on merit only. In order to maintain pace with cost of living adjustments the pay ranges have annually been increased subject to budget approval. However, individual pay was not increased at the same rate as pay range adjustments resulting in pay compression.</p> <p>Does the Town Council want to consider pay progression options that would help to alleviate future pay compression?</p>

Suggested Decision Points for Today

Police Officer

5 Years of Service

Average Review Score 3.80

\$60,464

- FY19 – Pay ranges adjusted 3%
- Individual expected pay increase 5.5%

FY18

X

\$ 52,275
minimum

\$ 71,902
midpoint

\$ 91,528
maximum

FY19

X

\$ 53,843
minimum

\$ 74,059
midpoint

\$ 94,274
maximum

Suggested Decision Points for Today

Topic	Background and Question
Retirement and Other Benefits	<p>Based on information presented in the Evergreen Solutions final report, and estimates provided by GRS (as enclosed):</p> <p>Does the Town Council want to consider other changes to retirement or other benefits that may require cost estimates?</p>

Suggested Decision Points for Today

Ranking	Defined Benefit Formula Multiplier	Max %	Eligibility for Unreduced Service Pension	Vested Eligibility	Final Average Pay Period	Annual Retiree Cola	Normal Married Form of Benefit	Employee Contribution
1	PBG 3.5%	J None	PB 20 & Out/ 50 & 10/ Rule of 65	BB 5 Years	BR 2 Years	FRS 3%	PB 75% JS	FRS None
2	BB 3.5%	WPB None	J 55 & 10/ Age 60 / Rule of 65	G 6 Years	PB 2 Years	PBC 3%	WPB 66⅔% JS	PBC None
3	BR 3.5% + Sppl	LW None	PBG 20 & Out/ 52 & 10	FRS 6 Years	RB 2 Years	G 3%	DB 60% JS	NPB 2.00%
4	PB 3.5%	RB None	BB 20 & Out/ 55 & 10/ 50 & 15	PPC 6 Years	W 2 Years	G 3%/2%	PBG 10 YCL	G 4.00%
5	TMR 3.0	G None	PB 20 & Out/ 55 & 10	BB 5 Years	DB 3 Years	WPB CPI	BB 10 YCL	T 5.00%
6	DB 3.0%	NPB None	DB 20 & Out/ 55 & 10	PBG 5 Year Partial	J 3 Years	NPB CPI	BR 10 YCL	DB 6.00%
7	J 3.0%	PBG 100%	LW 20 & Out/ 55 & 10/ Rule of 75	PB 10 Years	WPB 3 Years	PB 1% / 2% Deferred 3 Years	J 10 YCL	PB 6.98%
8	LW 3.0%	BB 100%	RB 20 & Out/ 55 & 10	TMR 10 Years	TMR 5 Years	TMR 2% at 65	LW 10 YCL	TMR 6.98%
9	RB 3.0%	T 100%	WPB 25 & Out/ 55 & 10/ 50 & 20	DCA 10 Years	DCA 5 years	DB 1%	RB 10 YCL	DCA 6.98%
10	FRS 3.0%	FRS 100%	G 25 & Out/ 55 & 6	BR 10 Years	PBG 5 Years	PBG Plan Gain	G 10 YCL	BB 7%

Police Officers & Firefighters Benefits Supplemental Valuation prepared by GRS

Proposed provisions considered in the valuation changes the normal retirement eligibility conditions, adding a service element to eligibility as follows:

- Age 56 with at least 10 years of service or 25 years of service regardless of age;
- Age 56 with at least 10 years of service or 30 years of service regardless of age.

	POLICE OFFICERS		FIREFIGHTERS	
	25 & Out	30 & Out	25 & Out	30 & Out
Change in UAAL	\$ 176,434	\$ 40,687	\$ 371,420	\$ 45,290
Change in Funded Ratio	(0.1) %	0 %	(0.2) %	0 %
Change in Town Contribution	\$55,117	\$13,416	\$70,522	\$10,848

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 - ▶ One-on-one Meetings with Staff and Town Council;
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