

Optimizing Your Total Compensation Package

GFOAT

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Presentation Objectives

- Compensation Trends
- Establish Total Comp Foundation
- Optimize
- Customize
- Discussion



CFO asks CEO: "What happens if we invest in developing our people and then they leave us?"

CEO: "What happens if we don't, and they stay?"

- Why do employees leave?
- Why do they stay?

Emerging Trends

Katherine Ray, Ray Associates:

- In the last year and a half, just about everyone has really woken up to the fact that they had better get a handle on the market. I've never seen so many compensation studies by cities!! We have more than we can handle.
- If a city has skipped more than one year of giving increases in the last 5 years, they could be in trouble catching up with the market. Market has moved ahead at about 2-3% per year in Texas, and this year, even nationally, all of the major sources are saying a 3% increase will be in order.



Emerging Trends

Katherine Ray, Ray Associates:

- Our experience over many years has shown that if a city in Texas uses the Employment Cost Index (ECI) data for their salary **structure** adjustment each year, then tacks on merit/pay-for-performance on top of that, they will be able to stay competitive in the Texas market. The ECI data from DOL/BLS says it includes both merit and salary structure adjustments, but if you used that as your total increase each year, you would fall behind pretty quickly.



Emerging Trends

Katherine Ray, Ray Associates:

Employment Cost Index (ECI) Data 12-Month Period Ended June 30, 2014

Index	% Increase in Wages and Salaries (12-month period ended June 2014)
Private Industry Workers	
National, All (excluding incentive paid organizations)	1.8%
Private Industry Workers	
Non-Union	2.0%
State and Local Government Workers, Public Administration	1.9%
West South Central U.S. (Includes Arkansas, Louisiana, Oklahoma, and Texas)	2.0%
Average	1.9%

Source: U.S. Bureau of Labor Statistics, issued July 31, 2014. Next report due to be released in late October 2014.



Emerging Trends

Katherine Ray, Ray Associates:

Merit Budget Increase Forecast for 2015 (Includes those planning zero increases)

Category	Average	P25	Median	P75
Overall	2.88%	2.80%	3.00%	3.00%
Executives	2.82%	2.80%	3.00%	3.00%
Management	2.86%	2.90%	3.00%	3.00%
Professionals	2.87%	2.90%	3.00%	3.00%
Support/Nonexempt	2.88%	2.80%	3.00%	3.00%
Source: Empsight International LLC				



Emerging Trends

Matt Weatherly, Public Sector Personnel Consultants:

- 2014-2015 projections maintain 3% average salary growth across the US, including Texas
- the impact of the affordable care act on employer benefits costs is not insignificant; if any trends emerge as a result, they are likely to result in cost sharing (employees picking up more of the tab for insurance and retirement) for long-term sustainability
- while "zero-based budgeting" is not real prevalent, depending on the local political climate there seems to be a push for cost sharing on benefits to help cover any increases in salaries



Emerging Trends

Matt Weatherly, Public Sector Personnel Consultants:

- to the extent that plan design allows for flexibility, the intrinsic value of benefits as part of total compensation can vary wildly from generation to generation; a 25-year old may not realize the full value of good benefits, while a 45-year old might
- is it possible within plan design to set a dollar amount (for example, for health insurance), that as an employer you will provide an allowance of \$___ for the employee to elect to pay for insurance, take as cash, put in deferred comp, etc?



Total Comp Foundation

- Municipal government service delivery occurs through workforce, our #1 asset
- Personnel expenses approximately 70% of GF dollars
- HR Major Department Goal:
 - *Attract, retain, develop and reward a quality workforce of excellence*
- Goal achievement requires we:
 - Build compensation and benefits programs (Total Rewards) aligned with goal



Total Rewards



Compensation Overview

- A Compensation program that *attracts, retains, develops and rewards a quality workforce* considers:
 - Internal Conditions
 - Willingness and Ability to Pay
 - Budget, Tax Rate, Management & City Council philosophies
 - Internal Equity & Justice
 - Classification, Salary Administration, and Rewards such as merit or steps
 - External Conditions
 - Labor cost trends
 - Identified through salary surveys
 - Assures that pay structures are competitive in order to increase recruitment and retention



Optimization

- Communicate clearly, often, and via multiple mediums
- Make a priority
- Remember Total Rewards
- Customize



Communicating Total Rewards

- 70% of employers report that few employees understand reward mix
- But when Communications are good...
 - Employee commitment increases 10%
 - Employee satisfaction with rewards +16%

Source: Mercer's "What's Working" Study



Communicating Total Rewards

- The success of any total rewards program depends on communicating its value to employees.
- It is important to keep it simple and easy to understand.



Table Scraps



Which would you rather have?

7 reasons why **TREATS** are better than **TABLE SCRAPS**

Most of us are guilty of sneaking a tasty table scrap to our pets during or after dinner. While there isn't anything inherently wrong with giving your pet an occasional morsel left on your plate, there are some very good reasons to limit your handouts to treats made specifically for pets.



Strategic Approach

- What's the plan?
- Buy in from Management & Council?
- Budgetary Priority?
- Start with the foundation



Market Comparators - Overview

- External condition & labor costs trends identified through salary survey
- Salary survey requires we define two things:
 1. Benchmark positions to compare
 2. Market Comparators



Market Comparators - Questions

- Who may we lose employees to?
- Who may employees leave to come to Georgetown?
- What employers do we believe are similar to the City of Georgetown?
- What employers do we wish to emulate?



Market Comparators - Factors

- Relevant factors:
 - Proximity
 - Size
 - Similarity in Services rendered
 - Ability to pay
 - Tax rate
 - Total taxable value
 - Similar characteristics such as:
 - Adjacent to metropolitan area
 - Growth community



Georgetown Market Comparators

Proximity

City of Austin

City of Cedar Park

City of Leander

City of Pflugerville

City of Round Rock

Williamson County

Similarity

City of San Marcos

City of New Braunfels

City of Sugar Land

City of Grapevine

City of Denton

Town of Flower Mound

Industry specific disciplines such as Utilities, Fire, and Police would utilize good matches from this group + up to 5 additional similar organizations.



Market Comparators - Application

ACCOUNTANT			
	Min	Mid	Max
<i>Austin</i>	\$ 43,597	\$ 55,930	\$ 70,512
<i>Williamson County</i>	\$ 45,894	\$ 56,223	\$ 66,551
<i>Cedar Park</i>	\$ 41,202	\$ 50,267	\$ 59,332
<i>Round Rock</i>	\$ 44,844	\$ 50,448	\$ 56,052
<i>Pflugerville</i>			
<i>Leander</i>			
<i>San Marcos</i>	\$ 41,933	\$ 52,416	\$ 62,899
<i>New Braunfels</i>			
<i>Sugarland</i>	\$ 39,021	\$ 44,866	\$ 50,710
<i>Grapevine</i>	\$ 45,136	\$ 54,153	\$ 63,170
<i>Denton</i>	\$ 49,000	\$ 60,001	\$ 71,002
<i>Flower Mound</i>	\$ 50,773	\$ 60,424	\$ 70,074
AVERAGE	\$ 44,600	\$ 53,859	\$ 63,367
Georgetown	\$ 42,037	\$ 49,462	\$ 56,867
Midpoint Difference		8.9%	



Market Position

- Philosophy to lead, meet, or lag the market when comparing pay structures
 - Flexibility still exists in non-public safety position to pay higher for most qualified incumbents; reward best performers through merit pay
 - Less a reflection of caliber of employee we wish to recruit/retain
 - The more competitive, the more pay becomes a non-factor
- Fundamental lag built in
- Most organizations choose to match market
- Those with proportionally more/less revenue typically take lead or lag approach



Market Position - Recommended

- Philosophy to **meet** the market when comparing pay structures
 - Shows commitment to staying competitive while being fiscally prudent
 - Externally competitive pay is one element of Total Rewards
 - Focus on systems to develop employees and reward performance also key



Customization

- What is important to your organization?
- Your employees?
- What will give you a strategic advantage?



Customization - Merit

- Merit Pay
 - Ties pay to performance
 - Individual pay range penetration
 - Retention
 - Methodology/delivery of reward can be confusing



Discussion

- Questions?
- Discussion?

Email tadd.phillips@Georgetown.org if you'd like a copy of the presentation.

