Minutes Meeting
Citizens' Compensation Advisory Committee
March 27, 2014

Members Present: Connie Spyropoulos-Linardakis, Chair
Kerma Jones
Paul Jones
John Campbell
John Mathews
Dale Cox

Members Excused: Cori Petersen

Staff Present: David Salazar, City Compensation Administrator
Jodi Langford, City Benefits Administrator
Nancy Torres, Committee Support/Coordinator

Guests: Michael Millard (SLC Police Association – Local 75); Steve Hoffman (President, SLC Association of Firefighters – Local 1645); Paige Christensen (SLC-HR); (SLC-HR); Brian Roberts (SLC Attorney's Office); Jonathan Pappasideris (SLC Attorney's Office).

A recording of these proceedings is on file and available by request from the SLC- HR Department.

Meeting Open & Welcome: Committee Chair Connie Linardakis opened the meeting and established a quorum of members were present.

Adoption of February 24, 2014 Meeting Minutes: Members were presented with a draft copy of the minutes from the meeting held on 2/24/2014. Committee Chair Connie Linardakis invited members to review the minutes and entertained a motion to approve. A motion was made by Paul Jones and seconded by John Campbell; approval was unanimous.

Hay Group - SLC Employee Benefits Market Analysis presentation: Malinda Riley, Hay Group Benefits Consultant, presented an overview of Hay Group's report, including objectives, analysis and results (hard copies provided to each Committee member). Malinda explained the City's stated goal was for Hay Group conduct a *total benefits analysis* of the City's programs compared to the Utah market, including employers with operations located along the Wasatch Front.

Results Summary (p. 7, HayGroup report) – Malinda explained Hay's evaluation method, which assesses benefits values as either: **P75**, **P50** or **P25** (explanation of each of these measures is explained on p. 10 of the report). In total, the City's *total benefits value* was assessed at **P75**, meaning that 25% of organizations surveyed offer an overall benefits value which is greater than the City's and 75% of organizations who offer benefits that are valued less than the City's benefits offerings. **Health care** and **retirement** were noted as the two primary drivers of overall market competitiveness and an advantage for the City; both are noted in the report as being above market median, **$\geq$P75**. More specifically, the City's defined benefit pension plan provides more value than prevalent 401(k) type programs in the market; likewise, health care offerings are highly competitive due to very low employee premium cost sharing associated with the high deductible health plan (HDHP) design. Paul Jones inquired about inclusion of the City's front-loaded health savings account contribution in Hay Group's evaluation; Malinda confirmed that is was, in fact, considered and was a significant factor leading to the high rating of the City's employee health care plan . Other benefits discussed and highlighted during the presentation include: disability, death (life insurance) benefits, and benefits categorized as "other," including the City's post-employment health contribution, 501(c)(9), and educational reimbursement benefits.

Jodi Langford responded to member questions about the City's post-employment and life insurance, including benefits maximums.

Malinda referred members to graphs included in the report which illustrate the City's market competitiveness compared to the Utah market, including Fire & Police (shown on pp. 13 & 14). Patterns on the graph demonstrate that benefit values among City employees are equitable, regardless of salary differences. Malinda noted that the benefits values for Fire & Police compared to other City employees are higher due primarily to the differences in the retirement program (which includes lesser years of service as an eligibility requirement).

Key findings for total benefits, as well as a breakdown of specific benefits evaluated, were discussed and highlighted (referring to pp. 11-12, HayGroup report). Additional discussion and clarifying questions regarding the defined benefit retirement program throughout the Utah market were considered.

In direct response to a question by Kerma Jones, Malinda Riley stated that benefits values indicated are a <u>function of salary</u> rather than being weighted by either the number of employees or company size.

Additional presentation highlights include:

- Lower employee health care premiums, set at 5% for the HDHP, puts the City above market, where organizations typically require contributions of 20% to 25%.
- Despite the lower life insurance value, this benefit is offset by the higher value associated with health and retirement benefits.
- Disability benefits are aligned with market median.
- With the exception of retirement, the City's benefits costs appear to <u>be within market norms</u>.
- Health care costs are currently 16.6% of payroll compared to average general market costs at 13% of payroll.
- Retirement costs, as a percentage of payroll, are significantly higher for the City than compared to market.
- Overall, the City is optimizing its benefits spending, as the value of the City's plans are at (or greater than) the market 75% percentile.

Discussion concluded with questions from Committee members about present employer benefits issues, including impact of the Affordable Care Act, and future health care trends.

<u>Committee discussion</u> - Following conclusion of Hay Group's presentation, Committee members discussed and considered how to best utilize and relate the benefits data and information provided to market pay data. In particular, the Committee discussed how to balance and recommend pay practice with the City's rich benefits program; including consideration of the City's compensation philosophy and Committee's past recommendation to maintain actual average pay at no less than 95% of market.

Kerma Jones suggested that an effective approach for communicating and conveying a *total compensation* concep*t* to employees, in particular the benefits value compared to actual pay, is to utilize the total benefits graphs shown in the Hay report on pp. 13 & 14. These charts indicate a dollar value of the overall benefits offerings as a function of salary (as affirmed during Hay's presentation).

2013-14 Market Salary Data Review: The Committee was provided with copies of the benchmark wage data collected for each of the salary benchmarks, including data collected for Elected Officials/ Department Directors and Fire & Police from other U.S. cities. In addition, members received a draft hard copy of the 2014 annual report including updated 2014 economic trends, salary budget projections, and wage & salary analysis.

Committee discussion included a review of the draft report, including the Executive Summary, including last year's recommendations. The Committee made inquiries and discussed changes needed, including the following:

- Connie Linardakis requested inclusion of a reference to the total number of benchmarks surveyed, as well as those lagging market either significantly or slightly compared to last year. Specific benchmarks shown this year to lag market either significantly or slightly were discussed. [Recommendation #2]

- John Campbell expressed concern about the small number of incumbents associated with certain benchmarks. David Salazar explained that the City's approach is to rely on data collected from a minimum of five matching organizations rather than solely on the number of incumbents.
- David addressed questions pertaining to job matching and survey methodology relative to benchmarks and salary data were discussed.

- David Salazar also responded to questions and inquiries about the justification and rationale for the specific salary budget increase recommendations (#3), including specific implementation of how salary increases should be granted among employees. John Mathew noted caution and concern for potential legal liabilities when implementing pay adjustments for employees whose pay rates are equal to or above established City market rates (i.e. range midpoint).

- Committee reviewed and discussed details, including market data, associated with of all remaining recommendations, including the following – 1) consideration of pay for performance; 2) executive pay; 3) elected officials' pay; 4) commendation on the City's success for containing employer health insurance costs; and, finally, the addition of an assessment of the City's total compensation, including the results of the Hay Group benefits market analysis.

- Committee members also discussed the potential for the inclusion of additional recommendations pertaining to Police & Fire, including specific pay standards relative to local *vs.* comparable U.S. city market. All agreed, instead, to adopt the approach of providing summary data, as presented in the draft report, from both market sources for City officials to consider when making policy decisions.

Paul Jones made a motion to accept the annual report as drafted, along with the specific changes noted during the Committee's discussion; the motion was seconded by Kerma Jones. The vote was unanimous in the affirmative.

Call for Nominations for New Committee Appointee & Selection of New Vice-Chair: Connie Linardakis nominated and made a motion to appoint Paul Jones as the new Vice-Chair; the motion was seconded by members Dale Cox and Kerma Jones. The vote was unanimous in the affirmative.

Members briefly discussed potential candidates qualified to fill the Committee appointed seat held by John Campbell. David noted that John's term expired on 8/31/2013, but that current city ordinance allows him to continue to serve until a new appointee is confirmed. Committee members were advised to email specific nominations for consideration to Committee Chair, Connie Linardakis.

Next Meeting Date: No new meeting date was set. Members were notified about the potential for a meeting in late-spring to consider a new Committee appointee, but advised that a meeting would occur no later than the fall.

The meeting was adjourned at approximately 5:50 pm.

Minutes were approved unanimously on 10/22/2014.