

MEMORANDUM

TO: Joint City/GUC Pay and Benefits Committee
FROM: Ann E. Wall, City Manager
Anthony C. Cannon, General Manager/CEO *CNP for ALL*
DATE: March 13, 2018
SUBJECT: City / GUC Joint Pay and Benefits Committee Meeting Items

The next meeting of the City/GUC Joint Pay and Benefits Committee is scheduled for Tuesday, March 20, 2018, beginning at 2:00 p.m. in the Board Room at Greenville Utilities Commission. A copy of the Meeting Agenda is enclosed for your review.

Pay Philosophy

In order to mitigate pay compression and attract and retain high-performing employees, the City Council and Greenville Utilities Commission's Board of Commissioners adopted an "at market" pay philosophy as part of the comprehensive Classification and Compensation Study that was conducted in 2010 by Waters Consulting (now known as Segal Waters Consulting).

As a reminder, pay compression is the situation that occurs when there is only a small difference in pay between employees regardless of their skills or experience. Pay compression is the result of the market-rate for a given job outpacing the increases historically given by the organization to high tenured employees. Therefore, newcomers can only be recruited by offering them as much or more than high tenured employees, resulting in pay compression and low morale. In worst case scenarios, pay compression may also result in Equal Pay violations, particularly if individuals in protected classes are involved.

Paying at market and adjusting our salary structure as needed so that it is market competitive will enhance the City's and GUC's ability to recruit and retain qualified and high-performing employees. This is especially important as the economy continues to improve, resulting in an increasingly competitive and tightening labor market.

Market Adjustment/Merit Allocation

The City and GUC annually review the competitive market pay posture of our joint pay plan. The objective is to maintain an effective pay system for our employees that is internally equitable and compatible, and is as competitive as possible in relation to the external marketplace.

The City and GUC have traditionally used the Capital Associated Industries (CAI) survey as the primary benchmark guide for establishing the market related to wage growth. Over the past several years, staff has received requests to include data from other reputable surveys, other

public sector organizations, and local employers to ensure that CAI is truly representative of the market.

As depicted in the chart below, wage projections and trends for 2018 are relatively consistent among the following surveys: Aon Hewitt, Capital Associated Industries (CAI), Hay Group, Mercer, Towers Watson, and WorldAtWork.

Survey Company	Projection
Aon Hewitt	3.0%
Capital Associated Industries (CAI)*	2.5%
Hay Group	3.0%
Mercer	2.9%
Towers Watson	3.0%
WorldAtWork	3.0%

**COG and GUC have traditionally used CAI as the primary benchmark guide*

Staff surveyed our established benchmark public sector organizations and several local private employers to determine their plans related to compensation decisions for FY 2018-2019.

- Public-sector benchmark organizations: The public-sector benchmark organizations are comprised of 26 municipalities and utilities. Of the 25 organizations that responded, 24 gave their employees pay increases in FY 2017-2018; the average actual increase was 2.9% (market and/or merit). Many of the benchmark organizations are in the process of developing their FY 2018-2019 budgets and have not made a decision regarding pay increases. Of the 18 organizations that have responded, the average pay increase projection for FY 2018-2019 is 2.9% (market and/or merit).
- Local private employers: For FY 2018-2019, thirteen employers responded, reporting pay increases that averaged 3.2% (market and/or merit).

GUC/COG Combined Market and Merit Adjustment History

Fiscal Year	Annual		Combined	(CAI) ¹ Market	Difference	Cumulative Difference
	Market	Merit				
10/11	0	0	0			
11/12 ² (GUC) (COG)	0 1.5%	1.5% 0	1.5% 1.5%			
12/13 (GUC) (COG)	1.0% 2.5%	1.5% 0	2.5% 2.5%			
13/14 ³	0 ³	0	0			
14/15 (GUC) (COG)	0 1.5%	1.5% 0	1.5% 1.5%			
True-up Data Point						
15/16 (GUC) (COG)	.5% 2.0%	1.5% 0%	2.0% 2.0%	3.0% 3.0%	-1.0% -1.0%	-1.0% -1.0%
16/17 (GUC) (COG)	.5% 2.0%	1.5% 0%	2.0% 2.0%	2.7% 2.7%	-.7% -.7%	-1.7% -1.7%
17/18 (GUC) (COG)	1.7% 2.0%	1.5% 1.2%	3.2% 3.2%	2.7% 2.7%	+5% +5%	-1.2% -1.2%

¹Market (CAI) survey is the average of approximately 660 NC companies including those with zero increases.

²The new pay plan became effective on 7/1/2011; while many jobs did move up or down, relative to other previously comparable jobs, only a limited number of GUC and City employees received pay increases. The pay plan brought salary ranges in line with the current market but actual wages were not impacted to a large degree.

³GUC & COG absorbed 100% of the medical benefits premium increases for FY 13/14. For the City, the increase in funding is the equivalent of a 2.5% market increase for employees.

Using the true-up data point as a reference, the data indicates that pay increases for the City and GUC are currently 1.2% below market.

GUC/COG Combined Market and Merit Benchmark History

Fiscal Year	Private Sector	Public Sector	GUC	COG	Cumulative Difference (Private)	Cumulative Difference (Public)
15/16	2.0%	2.5%	2.0%	2.0%	0.0%	-0.5%
16/17	3.05%	3.2%	2.0%	2.0%	-1.05%	-1.7%
17/18	2.9%	2.9%	3.2%	3.2%	-0.75%	-1.4%
18/19	3.2%*	2.9%**	TBD	TBD	TBD	TBD

**The private sector data represents projections collected during the Spring of each year as part of the Pay & Benefits planning process.*

***The public sector data for 18/19 represents projections collected early 2018 as part of the Pay & Benefits planning process.*

Salary Structure Adjustment

WorldAtWork projects salary structures to increase by 2.1% for 2018. Segal Waters, the City’s and GUC’s classification and compensation consultant, uses and recommends WorldAtWork data because their Salary Budget Survey is the largest and most trusted resource of salary and structure adjustment data used by compensation professionals nationally and internationally.

Summary

As a reminder, in keeping with the at-market pay philosophy, City Council and the Board of Commissioners approved a 3.2% merit/market adjustment for the current fiscal year. The 3.2% merit/market adjustment aligned with the average projected pay increase for the public-sector benchmark organizations. This decision allowed the City and GUC to begin addressing the growing cumulative difference in our pay adjustments relative to the CAI index since our 2015 true-up, decreasing the cumulative difference from -1.7% to -1.2%. As a result, the potential financial impact of “playing catch-up” to the market should be lessened when the results of the comprehensive classification and compensation study are implemented in 2020.

Recommendations related to the FY 2018/2019 market adjustment and merit allocation will be discussed in detail at the Committee meeting. The Committee’s formal recommendation will be considered by City Council and the GUC Board of Commissioners at the April 23, 2018 Joint Meeting.

We look forward to seeing you at the upcoming Joint Pay and Benefits Committee Meeting.

cc: Chris Padgett, GUC Chief Administrative Officer
Michael Cowin, COG Assistant City Manager
Richie Shreves, GUC Director of Human Resources
Leah Futrell, COG Director of Human Resources

Joint City/GUC Pay & Benefits Committee

Tuesday, March 20, 2018

2:00 p.m.

Greenville Utilities Commission Board Room
401 South Greene Street

- I. Call to Order
- II. Approval of the Agenda
- III. Approval of Minutes – August 24, 2017
- IV. Market Adjustment and Merit Allocation
- V. Salary Structure Adjustment
- VI. Timeline for 10-Year Compensation Study
- VII. Next Steps
- VIII. Adjournment

PROPOSED MINUTES
JOINT PAY AND BENEFITS COMMITTEE
THURSDAY, AUGUST 24, 2017

The Joint Pay and Benefits Committee of the City of Greenville (COG) and the Greenville Utilities Commission (GUC) met on Thursday, August 24, 2017, in the Board Room at Greenville Utilities Commission located at 401 S. Greene Street, Greenville, NC.

Committee members present included Council Member Rick Smiley, Commissioner Toya Jacobs and Commissioner Joel Butler. Council Member Rose Glover was absent.

Other City officials and staff present included City Manager Ann E. Wall, Assistant City Manager Michael Cowin, Director of Human Resources Leah Futrell, and Benefits Manager Frank Salvato.

Other GUC officials and staff present included Commissioner Parker Overton, General Manager/CEO Tony Cannon, Chief Administrative Officer Chris Padgett, Director of Human Resources Richie Shreves, Benefits Administrators Debbie Jones and Leah Herring, Human Resources Manager Lena Preville, Executive Assistant to the General Manager/CEO Amy Wade, Public Information Officer/Communications Manager Steve Hawley and Staff Support Specialist III Kristen Jarman.

Others present included Steve Graybill and Jason Wong of Mercer Consulting.

ITEM 1-CALL TO ORDER

GUC General Manager/CEO Tony Cannon called the meeting to order at 10:34 a.m. and a quorum was ascertained.

ITEM II-APPROVAL OF THE AGENDA

Council Member Smiley motioned to adopt the agenda. Commissioner Butler seconded the motion, which passed by unanimous vote.

ITEM III-APPROVAL OF MINUTES

Council Member Smiley motioned to approve the March 23, 2017 minutes. Commissioner Butler seconded the motion, which passed by unanimous vote.

ITEM IV-COG/GUC 2018 RECOMMENDATIONS FOR HEALTH/DENTAL INSURANCE

Mr. Tony Cannon, GUC’s General Manager/CEO, introduced the new City Manager, Ann E. Wall, and then updated the Committee that the City and GUC are in the second year of the adopted three-year strategy plan.

Mr. Cannon then introduced Steve Graybill, Consultant with Mercer Consulting, to provide the Committee with an update of recommendations for the Plan Year 2018.

Mr. Graybill mentioned a review of the plan cost over the past years indicates an average annual cost increase of 2.9%, which is better than half the market rate. The status quo projections were reviewed and the cost share projection through the end of 2017 is 82.7%. If no changes are made to the plan for 2018, the cost share would increase to 83.9%. With the recommended plan changes and rate increase, the cost share would meet the target of 82%.

The proposed changes to the Core and Enhanced plans are to increase the out of pocket maximum, coinsurance percentage, prescription drugs (specialty, retail and mail order) and emergency room visit co-pays.

The 2018 proposed recommendations to the medical design plan are:

- Make proposed plan design changes to the core and enhanced plans
- 12.5% increase to all contributions across the board
- Maintain retiree buy-up strategy for retirees based on 2018 rates
- Meet 82% cost share target

The 2018 dental plan recommendations:

Mr. Graybill stated it was the first year of offering a core plan buy-up option. The plan is running in line with expectations and the recommendation for this year is a rate increase of 6.3% for all levels of dental plans.

There was discussion concerning the tobacco and spousal surcharges and it was the consensus to continue with the \$100 per month surcharge. Additionally, Mr. Graybill mentioned the goal is to move employees from the Enhanced Plan to the Core Plan and to continue to provide seed money to the Health Savings Accounts (HSA). The seed money is double for the first year of enrollment and then halved for subsequent years.

ITEM V-NEXT STEPS

After some discussion, a motion was made by Council Member Smiley to accept Mercer Consultant's recommendations for the second year of the strategy plan for 2018, and recommend approval of same by the GUC Board and City Council. The motion was seconded by Commissioner Butler and carried unanimously.

ITEM VIII-ADJOURNMENT

As no further discussion was needed concerning the proposed strategy, it was the consensus of the Committee Members to cancel the September 12, 2017 Joint Pay and Benefits Committee meeting.

There being no further discussion, Council Member Smiley made the motion to adjourn the meeting and Commissioner Butler seconded the motion. The motion was unanimous and the meeting was adjourned at 11:06 a.m.

Respectfully submitted,

Amy Carson Wade
Executive Secretary