

## **Joint City/GUC Pay & Benefits Committee**

Tuesday, March 26, 2019

10:00 a.m.

Greenville Utilities Commission Board Room  
401 South Greene Street

- I. Call to Order
- II. Approval of the Agenda
- III. Approval of Minutes – August 9, 2018
- IV. Market Adjustment and Merit Allocation
- V. Salary Structure Adjustment
- VI. Update on Compensation Study
- VII. Next Steps
- VIII. Adjournment

## MEMORANDUM

TO: Joint City/GUC Pay and Benefits Committee

FROM: Ann E. Wall, City Manager *AW*  
Anthony C. Cannon, General Manager/CEO *ACC*

DATE: March 20, 2019

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 26, 2019, beginning at 10:00 a.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 2019 are relatively consistent among the following surveys: Aon Hewitt, Capital Associated Industries (CAI), Korn Ferry, Mercer, Willis Towers Watson, and WorldAtWork.

Survey Company	Projection
Aon Hewitt	3.1%
Capital Associated Industries (CAI)*	2.7%
Korn Ferry (fka Hay Group)	3.0%
Mercer	2.9%
Willis Towers Watson	3.0%
WorldAtWork	3.2%

*\*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 2019-2020.

- Public-sector benchmark organizations:** The public-sector benchmark organizations are comprised of 26 municipalities and utilities. Of the 26 organizations that responded, 25 gave their employees pay increases in FY 2018-2019; the average actual increase was 3.1% (market and/or merit). Many of the benchmark organizations are in the process of developing their FY 2019-2020 budgets and have not made a decision regarding pay increases. Of the 16 organizations that have responded, the average pay increase projection for FY 2019-2020 is 3.3% (market and/or merit).
- Local private employers:** For FY 2019-2020, eleven employers were surveyed, with eight employers reporting pay increases that averaged 3.0% (market and/or merit). Three of the eleven have not yet determined the amount for this year’s pay increases.

### GUC/COG Combined Market and Merit Adjustment History

Fiscal Year	Annual		Combined	(CAI) <sup>1</sup> Market	Difference	Cumulative Difference
	Market	Merit				
10/11	0	0	0			
11/12 <sup>2</sup> (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 <sup>3</sup>	0 <sup>3</sup>	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%	2.7% 2.7%	-.7% -.7%	-.7% -.7%
16/17 (GUC) (COG)	.5% 2.0%	1.5% 0%	2.0% 2.0%	2.8% 2.8%	-.8% -.8%	-1.5% -1.5%
17/18 (GUC) (COG)	1.7% 2.0%	1.5% 1.2%	3.2% 3.2%	2.7% 2.7%	+5% +5%	-1.0% -1.0%
18/19 (GUC) (COG)	1.2% 1.2%	1.5% 1.5%	2.7% 2.7%	2.9% 2.9%	-.2% -.2%	-1.2% -1.2%

<sup>1</sup>Market (CAI) survey is the average of approximately 660 NC companies including those with zero increases; reflects actual percent increases

<sup>2</sup>The 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.

<sup>3</sup>GUC & 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	2.9%	3.1%	2.7%	2.7%	-0.95%	-1.8%
19/20	3.0%*	3.3%**	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 19/20 represents projections collected early 2019 as part of the Pay & Benefits planning process.

#### **Salary Structure Adjustment**

WorldAtWork projects salary structures to increase by 2.1% for 2019. 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**

In keeping with the at-market pay philosophy, City Council and the Board of Commissioners approved a 3.2% merit/market adjustment for the 2017/18 fiscal year. The 3.2% merit/market adjustment aligned with the average projected pay increase for the public-sector benchmark organizations. This forward-thinking 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%. For the current fiscal year, a 2.7% merit/market adjustment was approved, with 2.9% being the actual average pay increase according to CAI. The difference in actual versus projected pay increases translates to pay increases for the City and GUC continuing to lag the market at 1.2%

Recommendations related to the FY 2019/2020 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 22, 2019 Joint Meeting.

We look forward to seeing you at the upcoming Joint Pay and Benefits Committee Meeting on March 26<sup>th</sup>.

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

PROPOSED MINUTES  
JOINT PAY AND BENEFITS COMMITTEE  
Tuesday, August 9, 2018

The Joint Pay and Benefits Committee of the City of Greenville (COG) and the Greenville Utilities Commission (GUC) met on Thursday, August 9, 2018, at City Hall, Conference Room 337, in Greenville, N.C.

Committee members present included Council Member Rick Smiley, Mayor Pro-Tem Rose Glover and Commissioners Joel Butler and Toya Jacobs.

Other City officials and staff present included City Manager Ann E. Wall, Assistant City Manager Michael Cowin, Director of Human Resources Leah Futrell, and Human Resources Specialists Kimberly Phelps and Sharon Warner.

Other GUC officials and staff present included General Manager/CEO Tony Cannon, Chief Administrative Officer Chris Padgett, General Counsel Phil Dixon, Director of Human Resources Richie Shreves, Benefits Administrator Leah Herring, Human Resources Manager, Lena Previll, Executive Assistant to the General Manager/CEO Amy Wade, Public Information Officer/Communications Manager Steve Hawley and Secretary to the General Manager/CEO Lou Norris.

Others present included Jason Wong of Mercer Consulting and visitor Raj Jagad.

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**ITEM 1-CALL TO ORDER**

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City Manager Ann Wall called the meeting to order at 12:00 noon and a quorum was ascertained.

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**ITEM II-APPROVAL OF THE AGENDA**

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

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**ITEM III-APPROVAL OF MINUTES**

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Council Member Smiley moved to approve the March 20, 2018 minutes. Commissioner Jacobs seconded the motion, which passed by unanimous vote.

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**ITEM IV- MERCER PRESENTATION: COG/GUC 2019 RECOMMENDATIONS FOR  
HEALTH/DENTAL INSURANCE AND  
DEVELOPMENT OF 2020-2022 STRATEGIC PLAN**

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Mr. Jason Wong reviewed three-year strategy goals for 2017 and 2018. The plan design changes in 2018 for the Core and Enhanced plans increased the out of pocket maximum, coinsurance percentage, prescription drugs (specialty, retail and mail order) and emergency room visit co-pays. There was a 12.5% increase in all contributions across the board to meet the 82% cost share. In addition, the retiree buy-up strategy was maintained for 2018 and the dental contributions increased 6.3%.

The status quo projections were reviewed and the actual cost share projection through the end of 2018 is 82.8%. If no changes are made to the plan for 2019, the cost share would increase to 83.5%.

The targeted cost share goal for 2019 is 81% and would require a 14.9% increase to employee contributions. Mr. Wong added that this number seems high and recommends that a 7.5% increase which would produce an 82% cost share. Moving to a Value Prescription Drug List (Value PDL) would generate approximately \$210,000 savings for 2019. Value PDL excludes many readily available over the counter drugs for heartburn/ulcers and allergy medications.

Mr. Wong stated that last year the dental employee contribution was 6.3% and the 2019 employee contributions would need to increase 7.7% in order to maintain the same plans. One of the key cost drivers for 2018 was the use of orthodontia.

Mr. Wong stated that a new three-year strategy is recommended for 2020-2022. Mr. Cannon added that he feels this process has been helpful for the decision makers to work toward a goal and compliance.

Below is the three-year strategy for 2020-2022:

2020 PLAN YEAR

- Continue to evaluate the plans to ensure they are competitive in the market
- Evaluate elimination of the Enhanced plan based on the excise tax  
*Consider blending the Enhanced and Core plans into 1 Preferred Provider Organization (PPO) plan*
- Evaluate other additions or options to address specific cost drivers and better engage members
- Increase employee contributions to achieve long term goal of 80/20% cost share  
*Will not increase employee contributions more than 10% if the increase to plan costs is below 10%*

2021 PLAN YEAR

- Index deductibles and Out of Pocket across all plans offered
- Begin evaluation adjust salary bands (currently 4 bands)
- Evaluate the Health Savings Account (HSA) seeding



*Lower employer funding offered and evaluate the HSA first time offering (depending on enrollment)*

- Increase employee contributions to achieve long term goal of 80/20% cost share  
*Will not increase employee contributions more than 10% if the increase to plan costs is below 10%*

## 2022 PLAN YEAR

- Adjust salary bands so that they are more relevant to the current environment
- Review carrier lineup and ensure that all carriers align with current goals
- Add a point solution to address prevalent cost drivers
- Evaluate any care management enhancements new to the carrier or throughout the marketplace
- Increase employee contributions to achieve long term goal of 80/20% cost share  
*Will not increase employee contributions more than 10% if the increase to plan costs is below 10%*

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## **ITEM V-DISCUSSION OF RECOMMENDATIONS FOR THE JOINT BOARD MEETING**

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Mercer Consultant's 2019 proposed recommendations to the medical design plan effective January 1, 2019 are:

- Maintain current plan options (HSA, Core, and Enhanced)
- Make proposed medical plan design change by moving to the Cigna Value Prescription Drug List (this recommendation would grandfather individuals with ADHD and Asthma to limit any disruption for the members)
- Increase medical employee contributions by 7.5% to meet 82% cost share target to advance toward the goal of overall cost share of 80% employer paid and 20% employee paid
- Maintain retiree buy-up strategy for retirees based on 2019 rates

The 2019 proposed recommendations for the dental plan effective January 1, 2019 are:

- Continue with the dual dental offerings
- Increase dental employee contributions 7.7% to maintain cost share

In addition to the health and dental insurance plan recommendations, it is recommended to adopt the new three-year strategy plan for plan years 2020-2022.

A motion was made by Commissioner Butler to accept Mercer Consultant's recommendations for the health and dental plans for 2019 and to adopt the three-year strategy plan for 2020-2022, and recommend approval of same by the GUC Board and City Council. Council Member Smiley seconded the motion, which passed by unanimous vote.

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## **ITEM VI-NEXT STEPS**

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As no further discussion was needed concerning the proposed 2019 health and dental recommendation or the new three-year strategy, Council Member Smiley moved to cancel the August 28, 2018, Joint Pay and Benefits Committee meeting. Commissioner Butler seconded the motion, which passed by unanimous vote.

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**ITEM VII-ADJOURNMENT**

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There being no further discussion, Ms. Wall adjourned the Joint Pay and Benefits Committee meeting at 12:37 p.m.

Respectfully submitted,

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Amy Carson Wade  
Executive Secretary