

Washoe County

Total Compensation Market Survey *Executive Summary*

AUGUST, 2012



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Why was the survey done?

During 2011, the Board of County Commissioners (BOCC) requested that County leadership develop a three year strategy and plan for the creation of a new and sustainable compensation program. As an outcome of that request, a three year project plan was developed in August 2011

- It was determined that an analysis of current total remuneration for County employees was required in order to make sound and defensible compensation policy decisions
- This report includes the compensation and benefit market analysis and provides the basis for the County to determine the appropriate mix of compensation compared to the target market

How was the survey conducted?

The following steps have been undertaken:

- Initial planning and scoping meeting
- Mutual agreement on the benchmark positions, the constituency of the comparator market, and data to be collected
- Collection of current Washoe County salary data
- Design and distribution of customized salary survey instrument
- Intensive follow up with identified participants to optimize participation
- Analysis of salary and benefits data
- Analysis of overall outcomes
- Preparation of a preliminary report
- Preparation of a final report

How was the survey conducted? (cont'd)

To determine the current competitiveness of salaries and range maximums:

- Washoe County's salary range maximum (policy) and actual salaries (practice) were compared to survey average salary range maximum (market policy)
 - Analysis was done in comparison with the salary range maximums of the custom market due to the fact that the County, as well as the custom survey participants, pay the majority of their positions at the range maximum
 - The County's overall compa ratio (actual pay to current range maximum) for the benchmark and premium pay positions is approximately **98%**
 - Custom survey average compa ratio for all positions was **95%**
 - Average salary range width (range minimum to maximum) for custom survey participants was 35%
 - The County's average salary range width is 30%
- In order to have a more comprehensive market database, data has been gathered from the Hay Group General Market database in addition to the custom survey

What does the analysis show?

The context in which to understand the results:

- Since the basis of the current plan was adopted in late 2000, market reviews have been conducted in 2003, 2007 and now this study
 - The 2003 and 2007 market studies showed that the Washoe County salary policy was within + or -2% of the custom survey market
 - As shown on the next page, this survey shows the Washoe County salary policy lags the market by, on an aggregate basis, 7%
- One of the main contributors to this level of competitiveness is the tough but prudent fiscal decisions that the County has made as it has faced the challenging economic times over the past few years
- Data shows that over the past 10 years, Washoe County has not given excessive increases when “times were good” but has taken the “tough” decisions when “times were tough”

What does the analysis show? (cont'd)

Base Salary

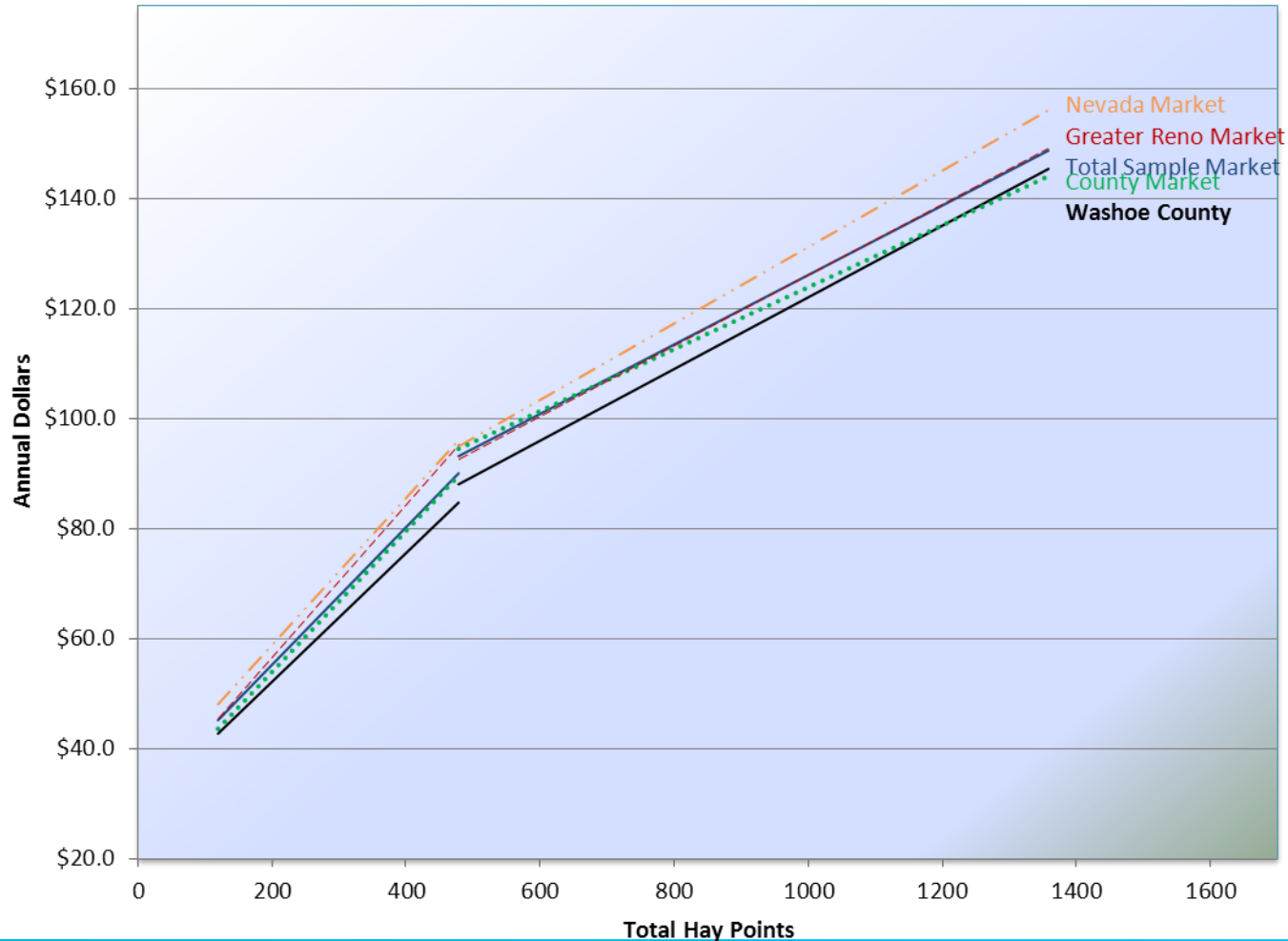
Overall comparison of Washoe County to Custom Market cuts

	Total Sample		Nevada		County		Greater Reno	
	<i>WC Practice % from Mkt Policy</i>	<i>WC Policy % from Mkt Policy</i>	<i>WC Practice % from Mkt Policy</i>	<i>WC Policy % from Mkt Policy</i>	<i>WC Practice % from Mkt Policy</i>	<i>WC Policy % from Mkt Policy</i>	<i>WC Practice % from Mkt Policy</i>	<i>WC Policy % from Mkt Policy</i>
Non-Premium Pay Avg:	-8%	-6%	-13%	-11%	-7%	-4%	-9%	-7%
Premium Pay Avg:	-10%	-10%	-13%	-15%	-9%	-9%	-9%	-10%
Overall Avg:	-9%	-7%	-13%	-12%	-7%	-6%	-9%	-8%

What does the analysis show? (cont'd)

Base Salary (cont'd)

WASHOE COUNTY POLICY VERSUS 2012 CUSTOM SURVEY POLICY (Non-premium pay benchmarks)



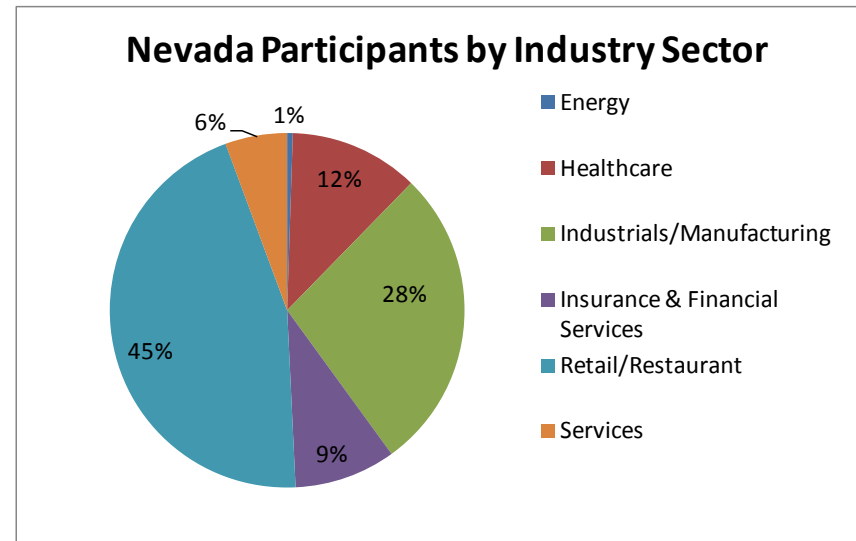
What does the analysis show? (cont'd)

Base Salary (cont'd)

Overall comparison to Hay Group General Market

- In comparing to General Market, it is important to note that the policy for Washoe County is set at the average of the market and this is the **top of the pay range**. In the private sector, the policy is typically set at the midpoint of the salary range and employee pay distribution is both above and below the policy position
- In addition, the constituency of the private sector market in Nevada needs to be taken into consideration

	Hay Group General Market	
	WC Practice % from Mkt Practice	WC Policy % from Mkt Practice
Grade Z - Grade Q Average:	-17%	-17%
Grade P and Below Average:	7%	10%
All Grades Average:	3%	5%



What does the analysis show? (cont'd)

Base Salary (cont'd)

Merit Increases

- Merit Increases were the most prevalent form of pay increase found among survey participants
- From 2008 through 2011 the County lead the market with a sustained 5% average merit increase

Merit Increases 2008-2012

	2008	2009	2010	2011	2012
Washoe County	5.0%	5.0%	5.0%	5.0%	5.0%
Survey Median	4.0%	3.8%	2.0%	2.0%	4.0%

- 54% of survey respondents reported having merit increases based upon employee performance as opposed to “automatic” increases

What does the analysis show? (cont'd)

Base Salary (cont'd)

Cost of Living Adjustments (COLA)

- In 2010 and 2011 the County had negative cost of living adjustments (COLAs), with no other cost of living adjustments in 2008, 2009 or 2012 (planned)
- In 2008, participants reported a 3.0% COLA (median). However, the median COLA for years 2009 through 2012 was 0.0%
 - Excluding participants reporting 0% COLAs, the median adjustment was 2.9% in 2009 and 2.0% in 2010
 - In 2011, two participants reported negative cost of living adjustments

COLAs 2008-2012

	2008	2009	2010	2011	2012 Planned
Washoe County	0.0%	0.0%	-3.4%	-1.0%	0.0%
Survey Median	3.0%	0.0%	0.0%	0.0%	0.0%
Survey Median excluding 0%	3.2%	2.9%	2.0%	-1.6% (avg)	N/A

What does the analysis show? (cont'd)

Base Salary (cont'd)

Longevity Pay

- The County's longevity program for department heads and division managers was frozen from December 2011 to June 2012 at the amounts paid in Fiscal Year 2010/2011
 - Two (2) of the 17 survey respondents reported discontinuing their previous longevity plans in recent years
 - Nine (9) of the 17 respondents report offering a longevity pay to employees covered by the survey going forward, which is 53% of the survey group
- The County's average years of service for those employees currently receiving longevity was just over 12 years for the positions covered by the survey
- Participant longevity varies in years of service required for eligibility as well as amount of pay for such years of service. Therefore, longevity data was compiled for all custom survey participants offering longevity pay based on 12 years of service to ensure "apples-to-apples"

What does the analysis show? (cont'd)

Benefits

- In order for compensation decisions to be made based on the competitiveness of total compensation, Hay Group has conducted additional analysis of the competitiveness of the benefits program offered by the County
- This analysis has been based on the benefits program information provided by the County for its current FY benefits program
- Hay Group used two comparator markets for the benefits analysis
 - Public Sector Market – Select public sector organizations gathered through the custom survey conducted in December of 2011 and January of 2012 plus public sector organizations in the western US contained in our 2011 benefits database
 - General Market – General Market organizations contained in our 2011 benefits database that have employees in the State of Nevada

What does the analysis show? (cont'd)

Benefits (cont'd)

- The County provides a full range of benefit programs to its employees that is below the market median compared to both public sector and NV general market organizations
 - Retirement, a primary driver of overall market competitiveness, is at or above market median relative to both the NV market (P75) and public sector market (P50)
 - Health care, another driver of overall market competitiveness, is below the market P50 relative to both the NV and public sector markets, driven primarily by high premium contributions for dependent coverage
 - Disability is competitive relative to both comparator groups; however, this benefit comprises a smaller portion of the total benefit package
 - Death and other benefits are at or below market, but contribute very little toward the total benefits value
- The County is competitive when comparing individual benefit programs such as retirement and disability; however, when the value of statutory benefits is included, overall program competitiveness significantly decreases due to the County's non-participation in Social Security
- It is important to note that the decrease in competitiveness is relative to the private sector and non-Nevada based public sector. The prevalent practice in public sector Nevada organizations is to provide retirement benefits solely through PERS

What does the analysis show? (cont'd)

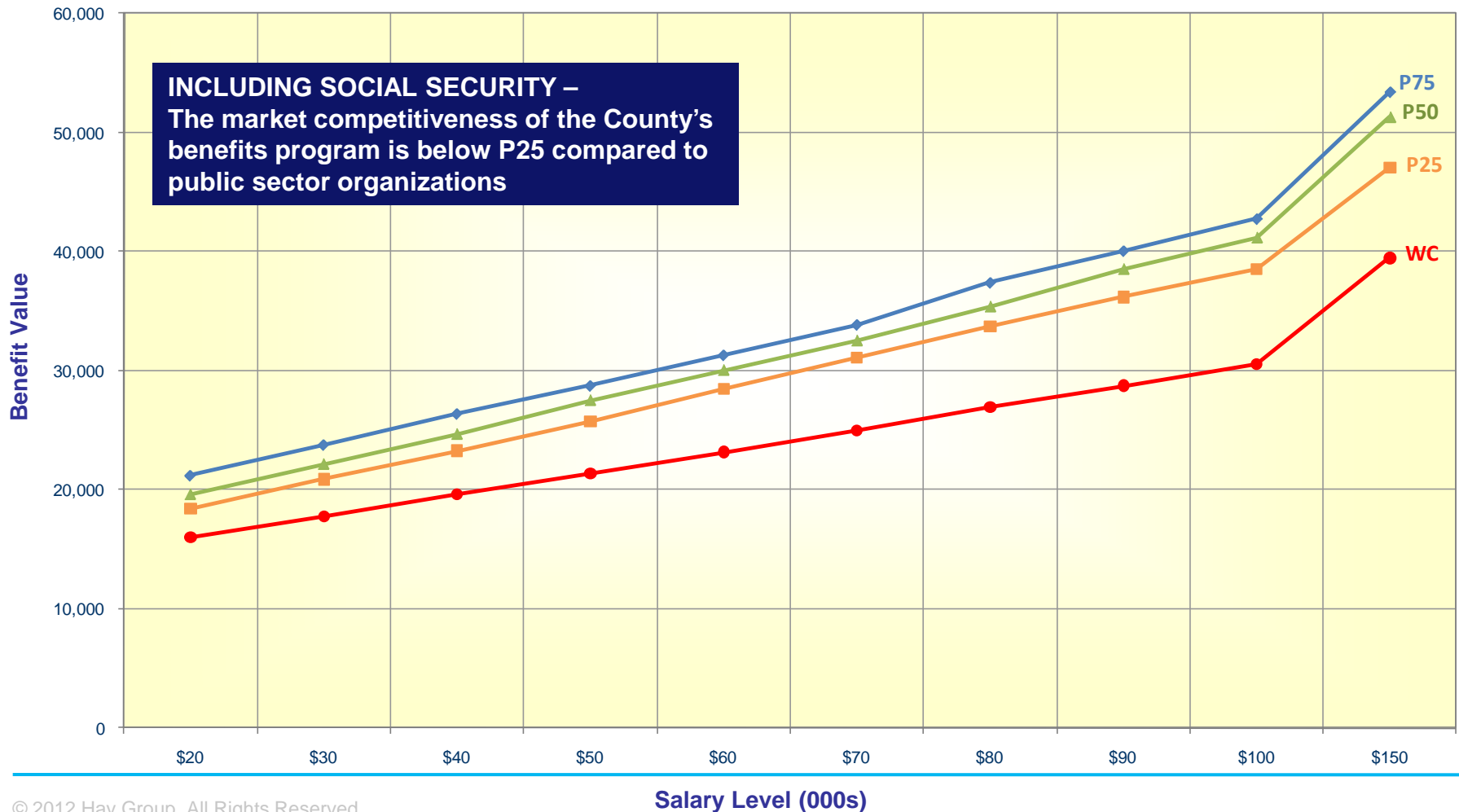
Benefits (cont'd)

- It is also important to note that the differences between P25, P50 and P75 in the public sector market are not as big as we typically see in other industries:
 - Specifically, the cash equivalent difference between the market quartiles (P25, P50 and P75) ranges from 5% to 8% for most salary levels while the typical range in the general market is 10% to 15%
 - Compression in public sector market values is common and demonstrates the significant similarities in benefit programs, especially retirement and health care

What does the analysis show? (cont'd)

Benefits (cont'd)

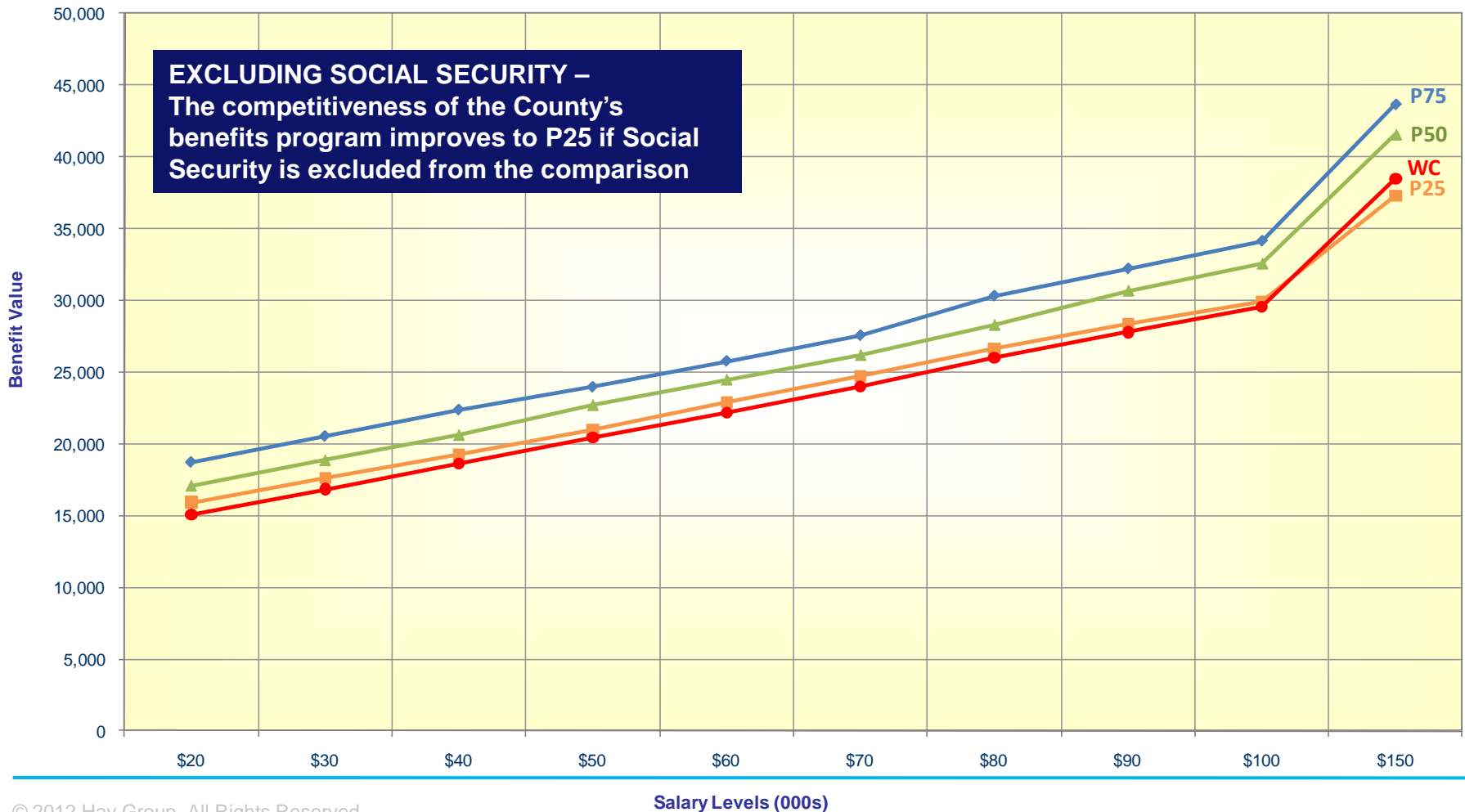
EMPLOYER PAID TOTAL BENEFITS VALUES – Salary Levels \$20,000 - \$150,000 Public Sector Market



What does the analysis show? (cont'd)

Benefits (cont'd)

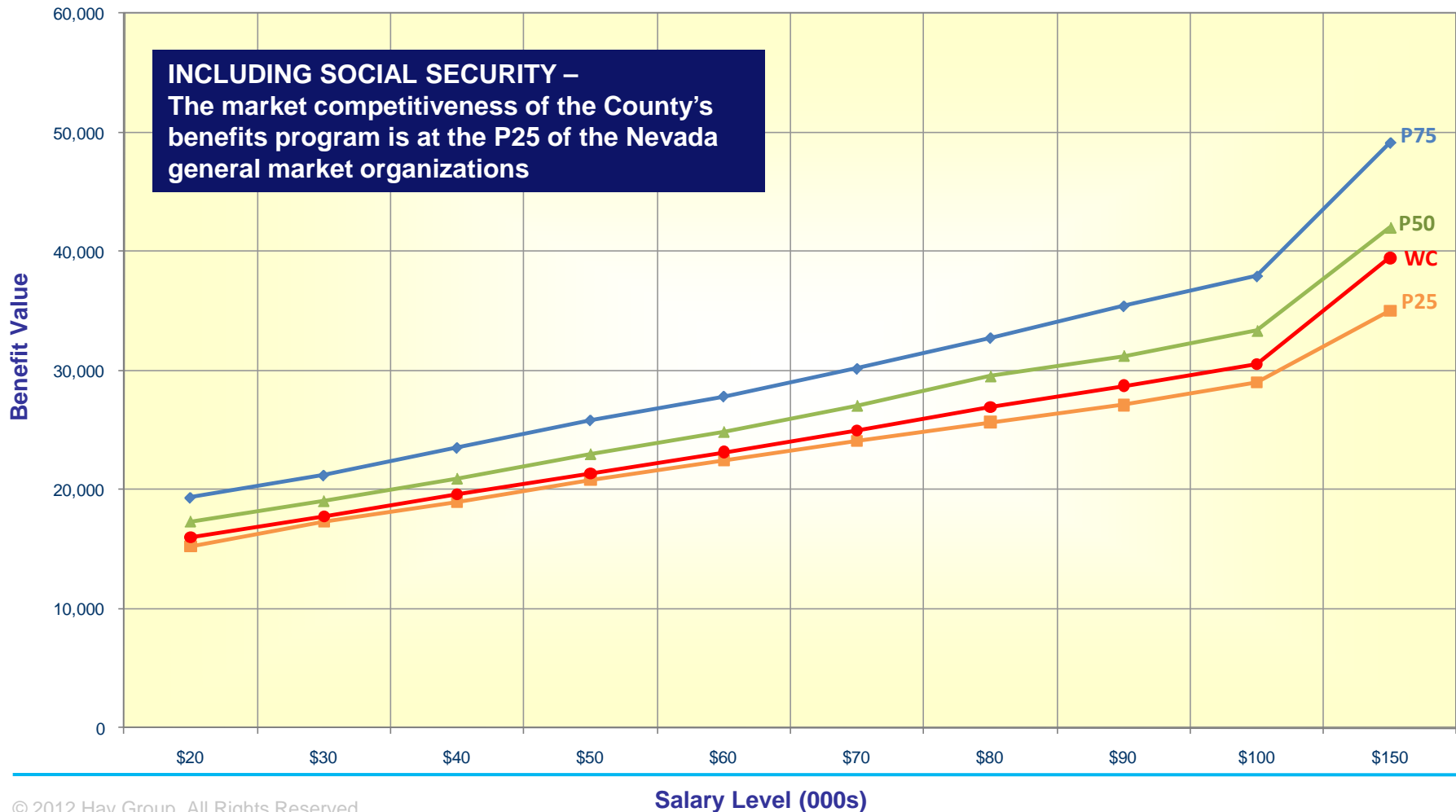
EMPLOYER PAID TOTAL BENEFITS VALUES – Salary Levels \$20,000 - \$150,000 Public Sector Market



What does the analysis show? (cont'd)

Benefits (cont'd)

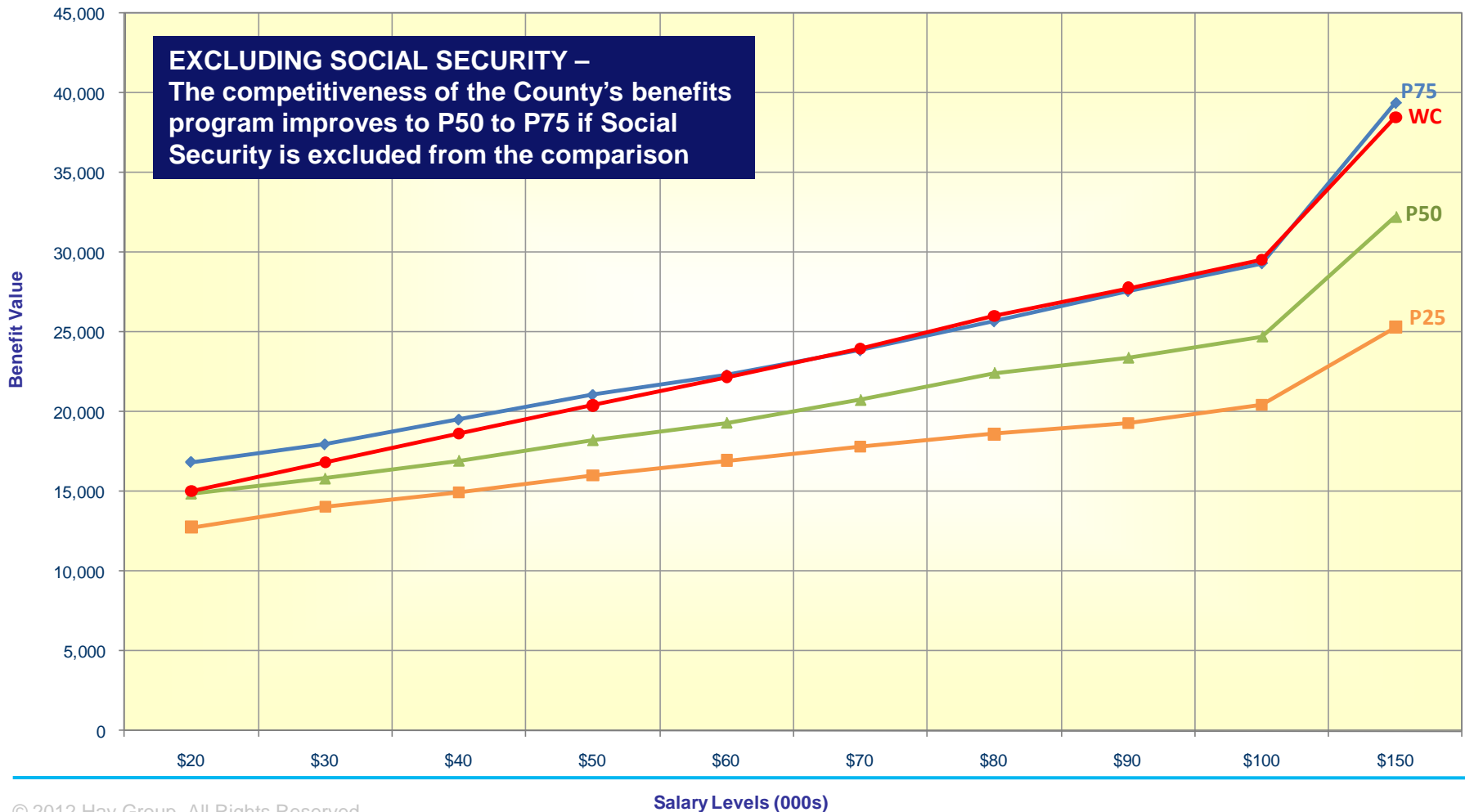
EMPLOYER PAID TOTAL BENEFITS VALUES – Salary Levels \$20,000 - \$150,000 General Market (NV)



What does the analysis show? (cont'd)

Benefits (cont'd)

EMPLOYER PAID TOTAL BENEFITS VALUES – Salary Levels \$20,000 - \$150,000 General Market (NV)



What does the analysis show? (cont'd)

Benefits (cont'd)

WASHOE COUNTY VS. PUBLIC SECTOR MARKET

Benefit Area	Market Comparison	Key Findings
Total Benefits	< P25 P25 – excl. SS	The County's non-participation in Social Security decreases the overall competitiveness of the benefits program, although individual benefit programs are quite competitive
Retirement	P50	The County participates in NV PERS, which provides a 2.5% benefit formula, which is at the market median. 95% of the market continues to provide a DB plan
Health Care	Below P25	Market position is driven primarily by employee contributions, which are high for dependent coverage at 50%. County employees pay 0% for single coverage, as does 35% of the market.
Disability	P75	The County's disability program consists of a sick leave accrual and disability under the pension plan. Most public sector organizations provide sick leave and/or insured STD plus LTD. The County's sick leave accrual is above the market with an annual accrual of up to 18 days and no accrual maximum.
Death	Below P25	The County's flat dollar benefit of \$20,000 is below the market P25. The County provides \$100,000 of coverage to eligible managers, which improves the market position to P25. Public sector is split, with 58% providing a flat dollar benefit and 42% providing a benefit based on salary.
Vacation / Holiday	N/A *	The number of paid holidays is consistent with other public sector organizations. The vacation schedule is above typical market practice.
Other	P25	Limited offering of flexible spending accounts and tuition reimbursement puts the County at the market P25

What does the analysis show? (cont'd)

Benefits (cont'd)

WASHOE COUNTY VS. GENERAL MARKET (NV)

Benefit Area	Market Comparison	Key Findings
Total Benefits	P25	The County's non-participation in Social Security decreases the overall competitiveness of the benefits program, although individual benefit programs are quite competitive
Retirement	Above P75	Defined benefit plans are less prevalent in the market (32%), increasing the County's retirement market position.
Health Care	Between P25 and P50	General market contributions lag the public sector, generating a slightly higher market position for the County. County contributions for dependent coverage at 50% remains high; however, the County rate of 0% for single coverage is above market, as only 5% of the general market fully subsidizes employee coverage.
Disability	P75	The County's disability program consists of a sick leave accrual and disability under the pension plan. Most general market organizations provide sick leave (60%), while 38% provide sick leave and STD. All provide LTD coverage The County's sick leave accrual is above the market with an annual accrual of up to 18 days and no accrual maximum.
Death	Below P25	The County's flat dollar benefit of \$20,000 is below the market P25. The County provides \$100,000 of coverage to eligible managers, which improves the market position to P25. 88% of the general market provides 1 to 2 times pay.
Vacation / Holiday	N/A *	The number of paid holidays is above typical general market practice, while the vacation schedule is aligned with typical general market practice.
Other	Below P25	Limited offering of flexible spending accounts and tuition reimbursement puts the County at the market P25

What does the analysis show? (cont'd)

Total Compensation

- The County's **total compensation** program is not market competitive when compared to the public sector custom survey market, but is more competitive when compared to the NV private sector market. Below are key findings regarding specific aspects of the County's compensation program:
 - **Base salary** competitiveness varies depending on market:
 - The County lags the custom **public sector** market by an average of 7% – higher paid employees lag the market by 9% and lower paid employees lag the market by 4% to 5%
 - The County exceeds the NV **private sector** market by 5% – lower paid employees are the primary driver of this figure, as they exceed the market by an average of 10%, while higher paid employees lag their private sector counterparts by 17%
 - **Variable pay** lags surveyed public sector organizations, as the County's longevity pay is low relative to those that continue to pay this type of compensation. The County also lags the private sector, especially at higher salary levels, as annual incentive compensation typically comprises a larger percentage of salary
 - **Benefits** are at or below the market P25 of both markets for all employees driven by non-participation in Social Security and a less than market median health care program

What does the analysis show? (cont'd)

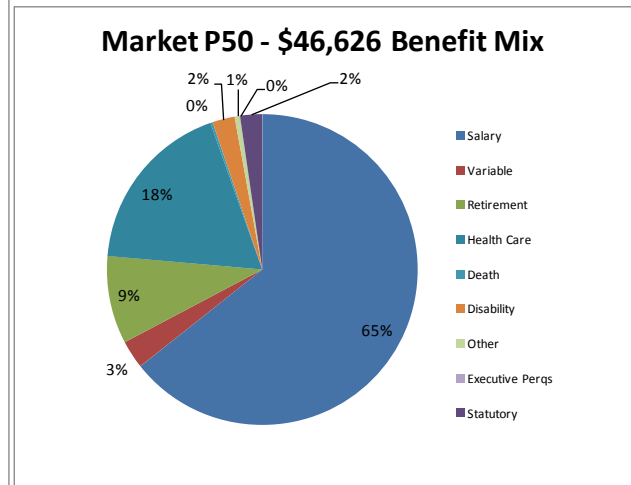
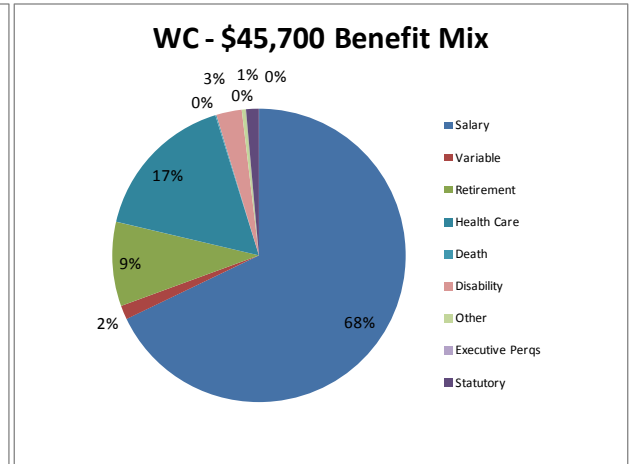
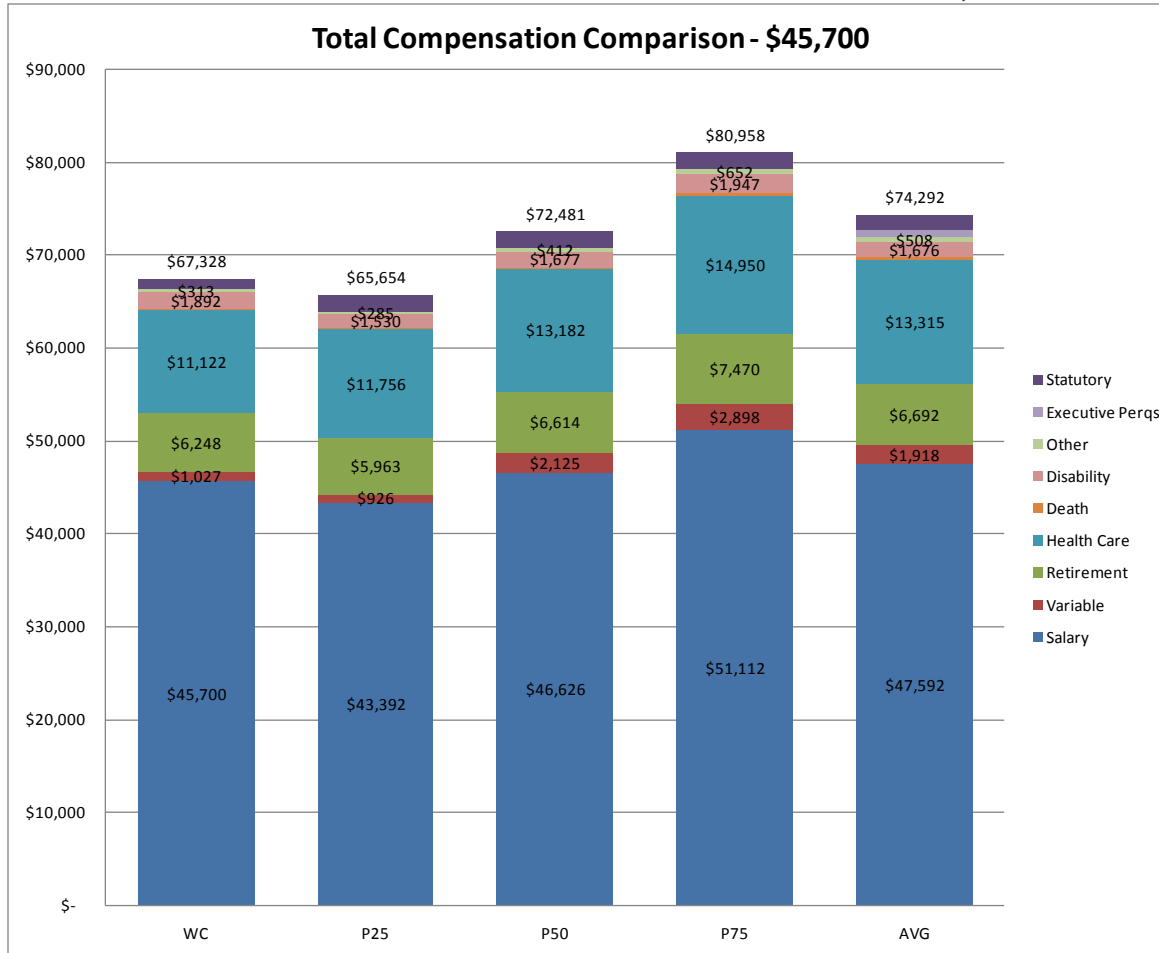
Total Compensation (cont'd)

- Key findings, continued:
 - **Total Compensation** is at or below the market P25 compared to the public sector at all salary levels, which is a result of less competitive cash compensation. Total compensation is between the market median and P75 compared to the NV private sector market, due to the higher relative salary position, with the exception of the highest salary level which is below P50 due to higher variable pay in the private sector
 - **Pay Mix** for County employees varies against the market depending on salary
- The charts on the following pages illustrate the total compensation picture for Washoe County employees relative to the Public Sector market as well as the NV market
- Also included are pay mix charts that show the differences between the County's compensation elements and the two markets
- “Statutory” refers to federal programs – Medicare and Social Security. However, for the Public Sector market, which is primarily NV organizations, only Medicare is included, as prevalent practice is to not participate in Social Security

What does the analysis show? (cont'd)

Total Compensation (cont'd)

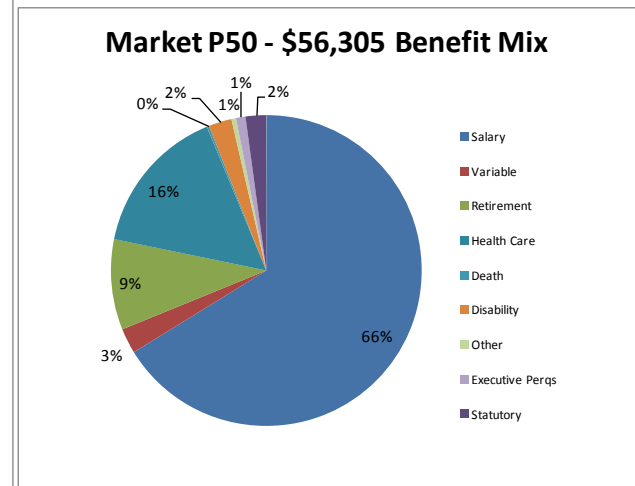
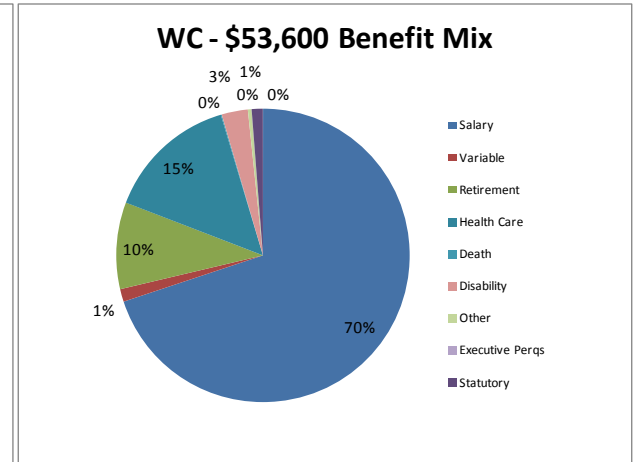
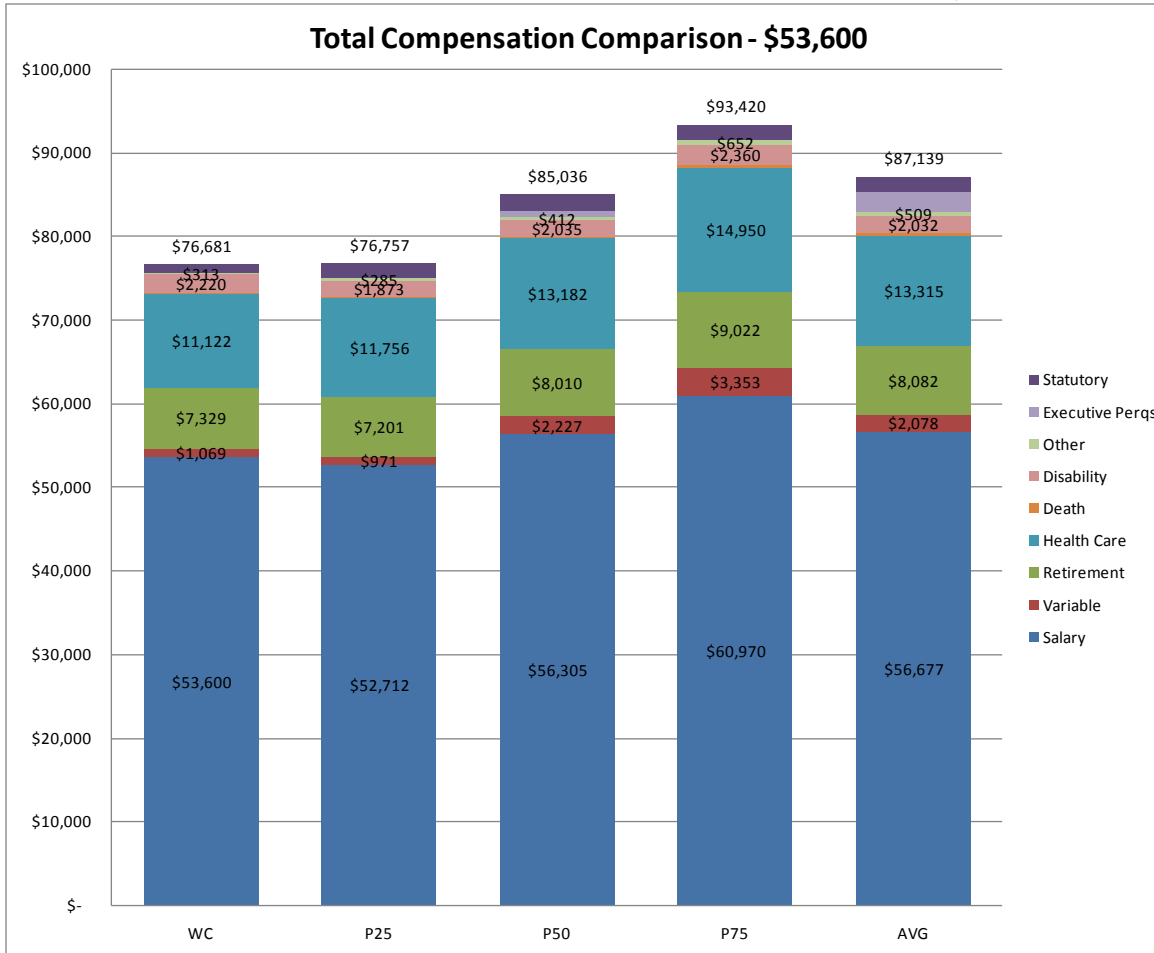
WASHOE COUNTY VS. PUBLIC SECTOR MARKET - \$45,700 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

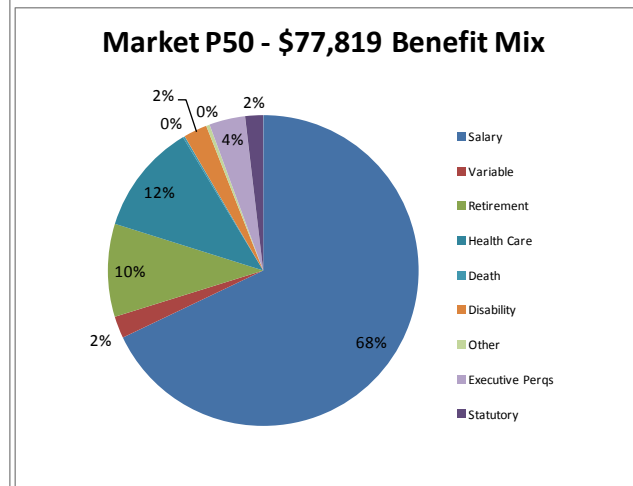
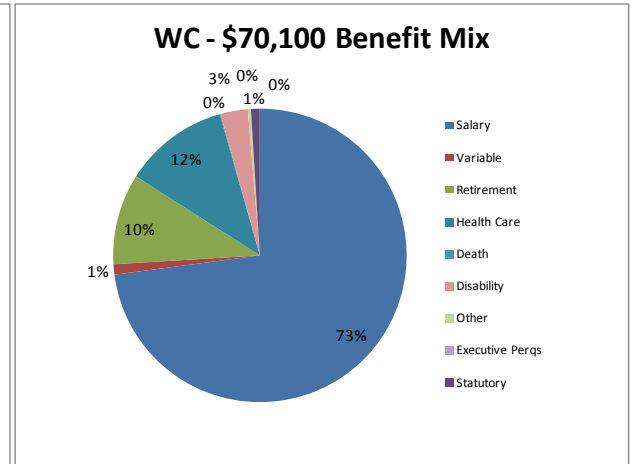
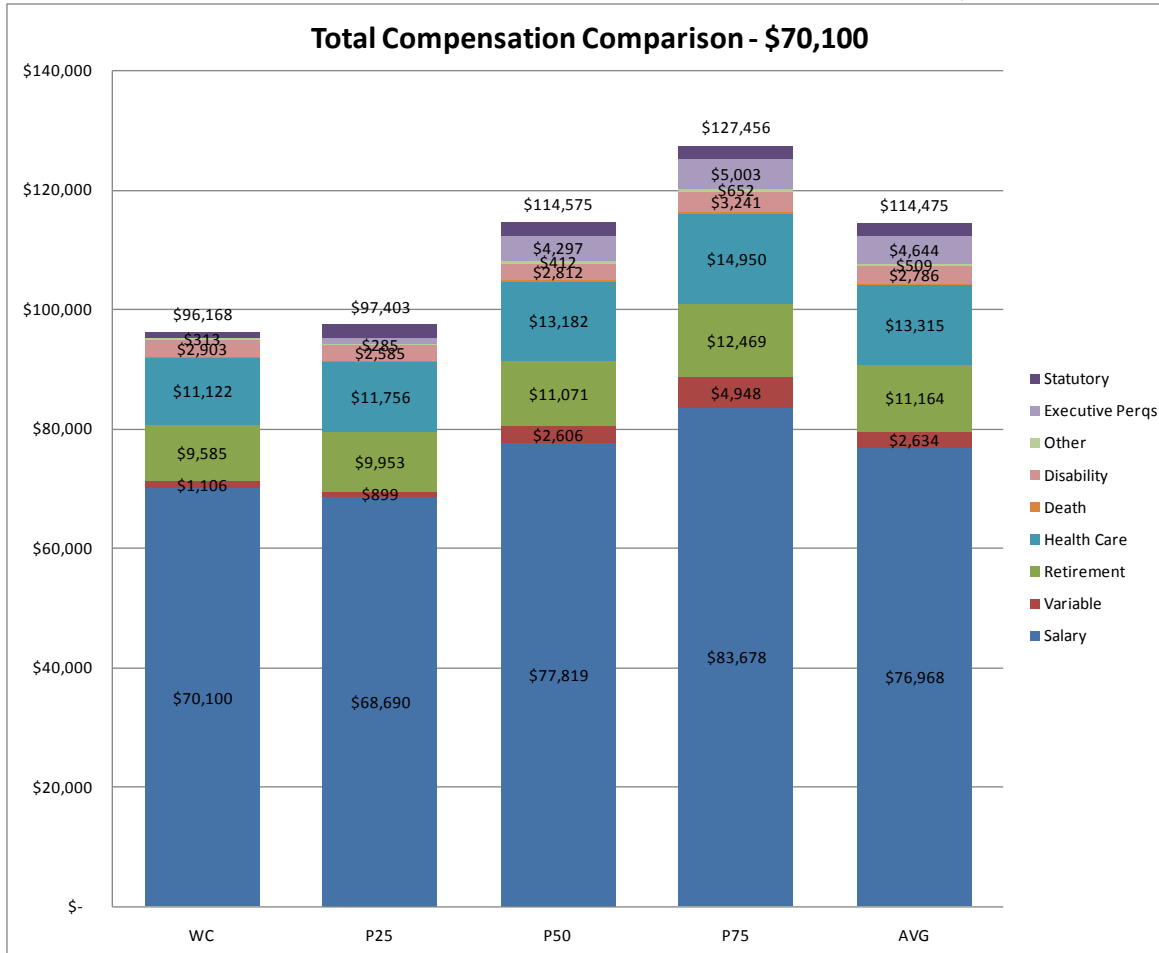
WASHOE COUNTY VS. PUBLIC SECTOR MARKET - \$53,600 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

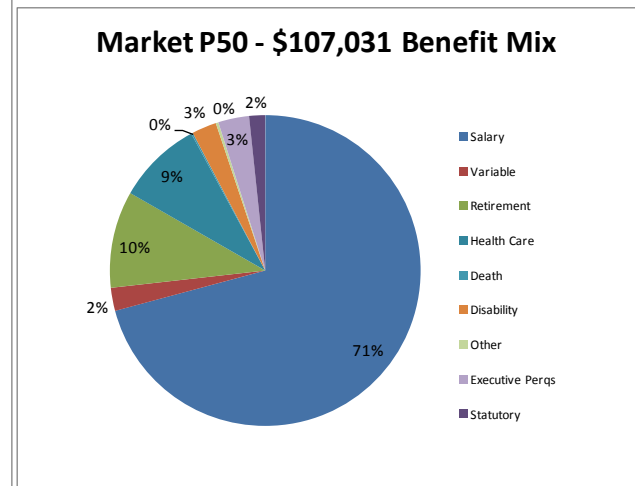
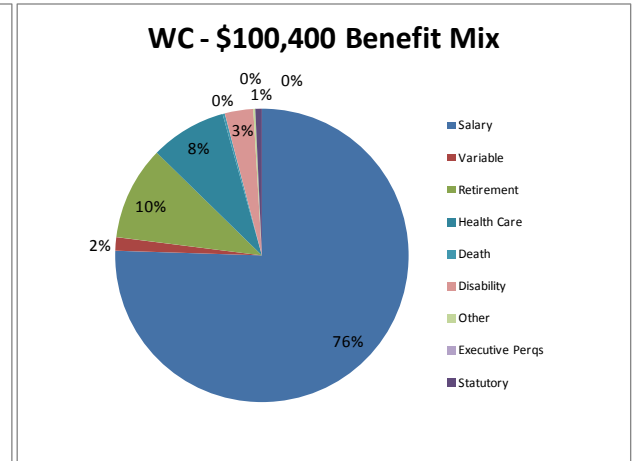
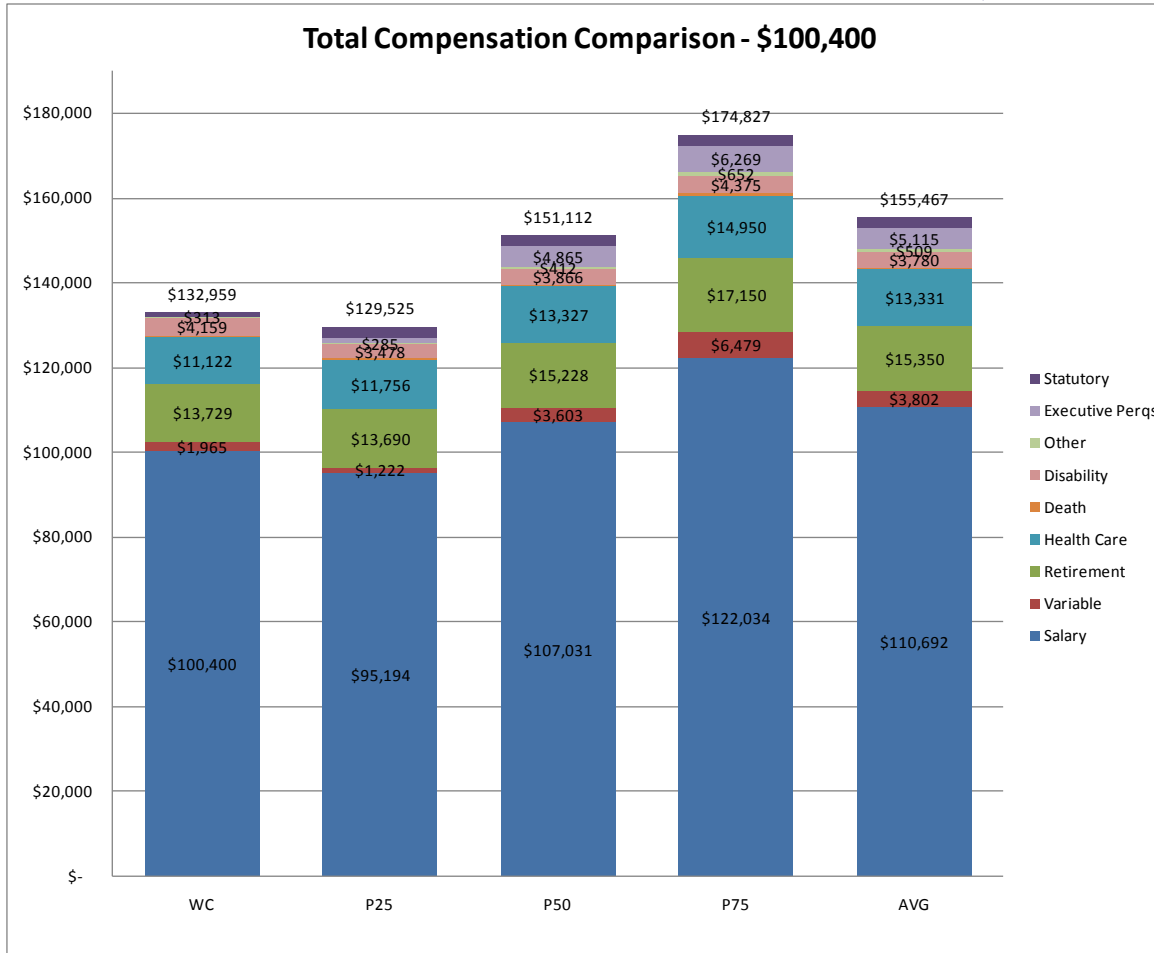
WASHOE COUNTY VS. PUBLIC SECTOR MARKET - \$70,100 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

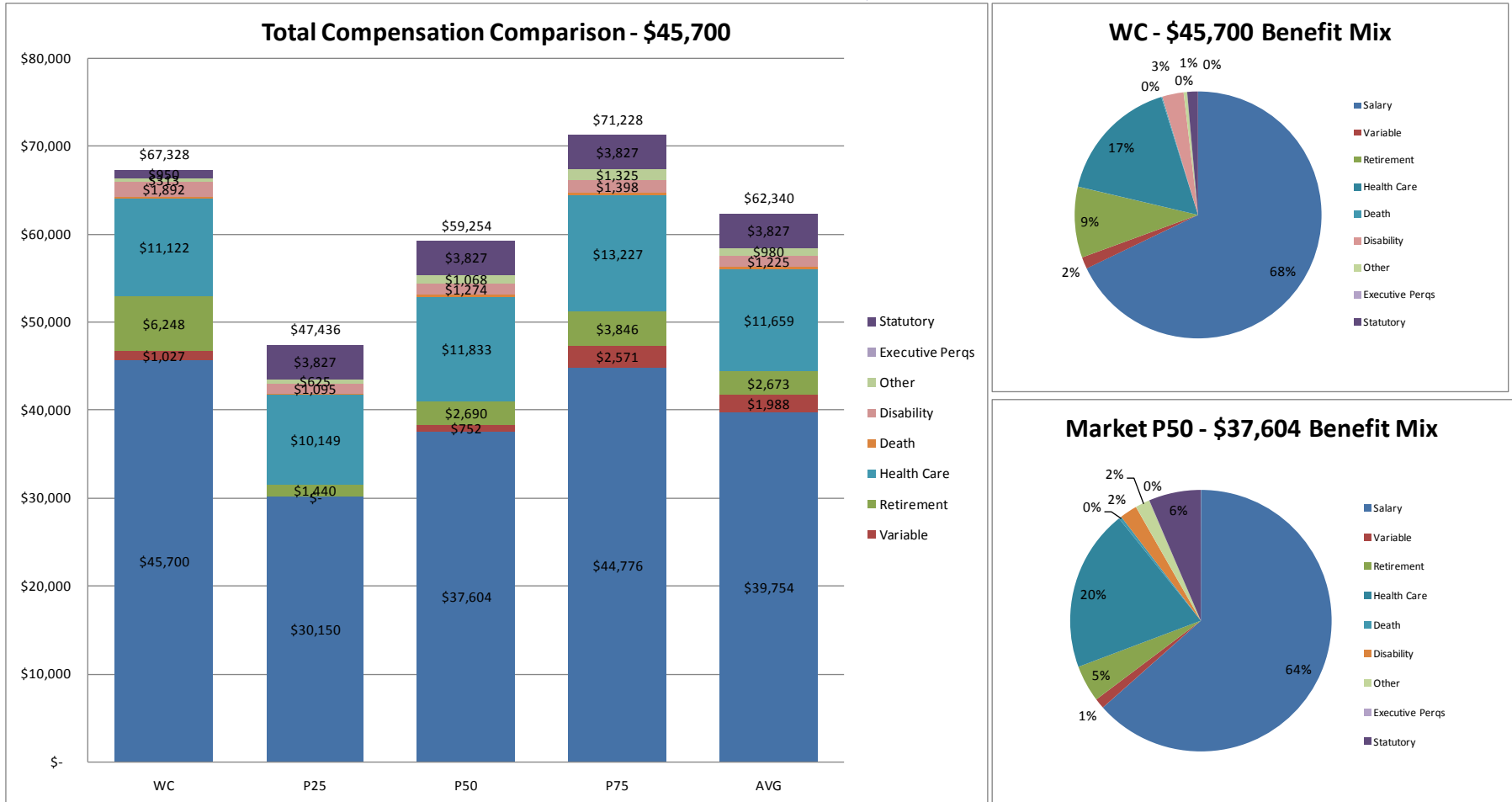
WASHOE COUNTY VS. PUBLIC SECTOR MARKET - \$100,400 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

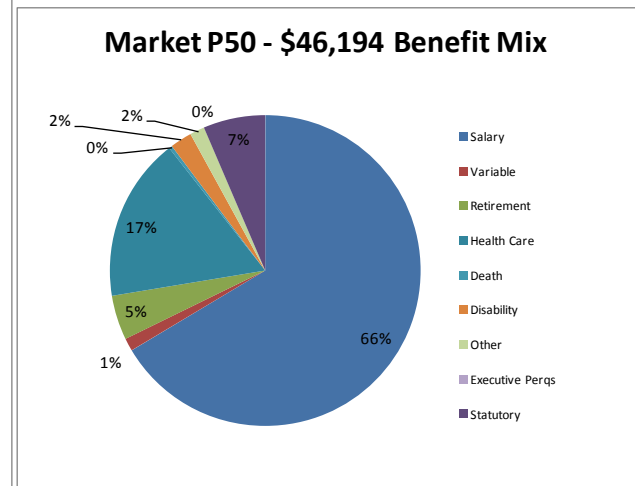
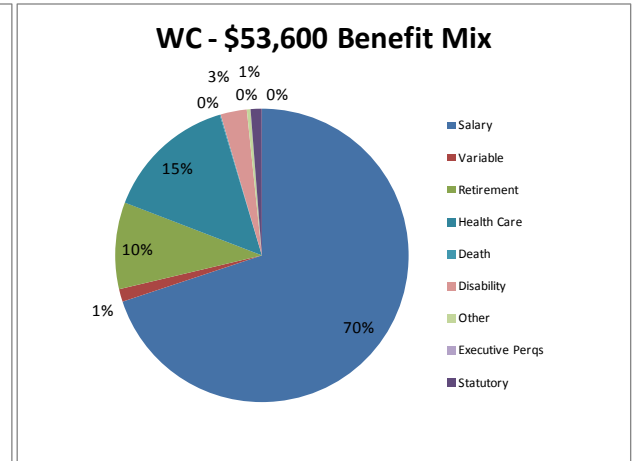
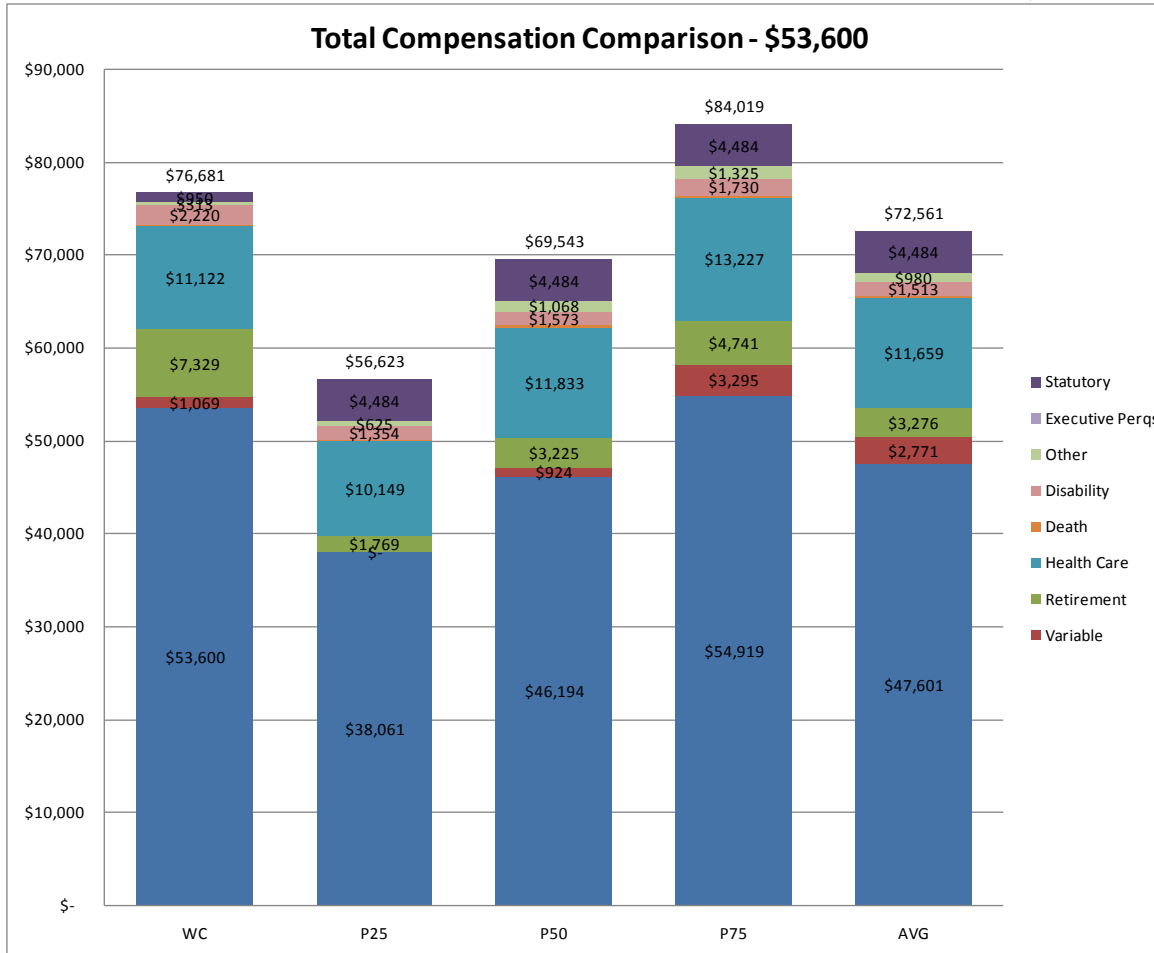
WASHOE COUNTY VS. NV PRIVATE SECTOR MARKET - \$45,700 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

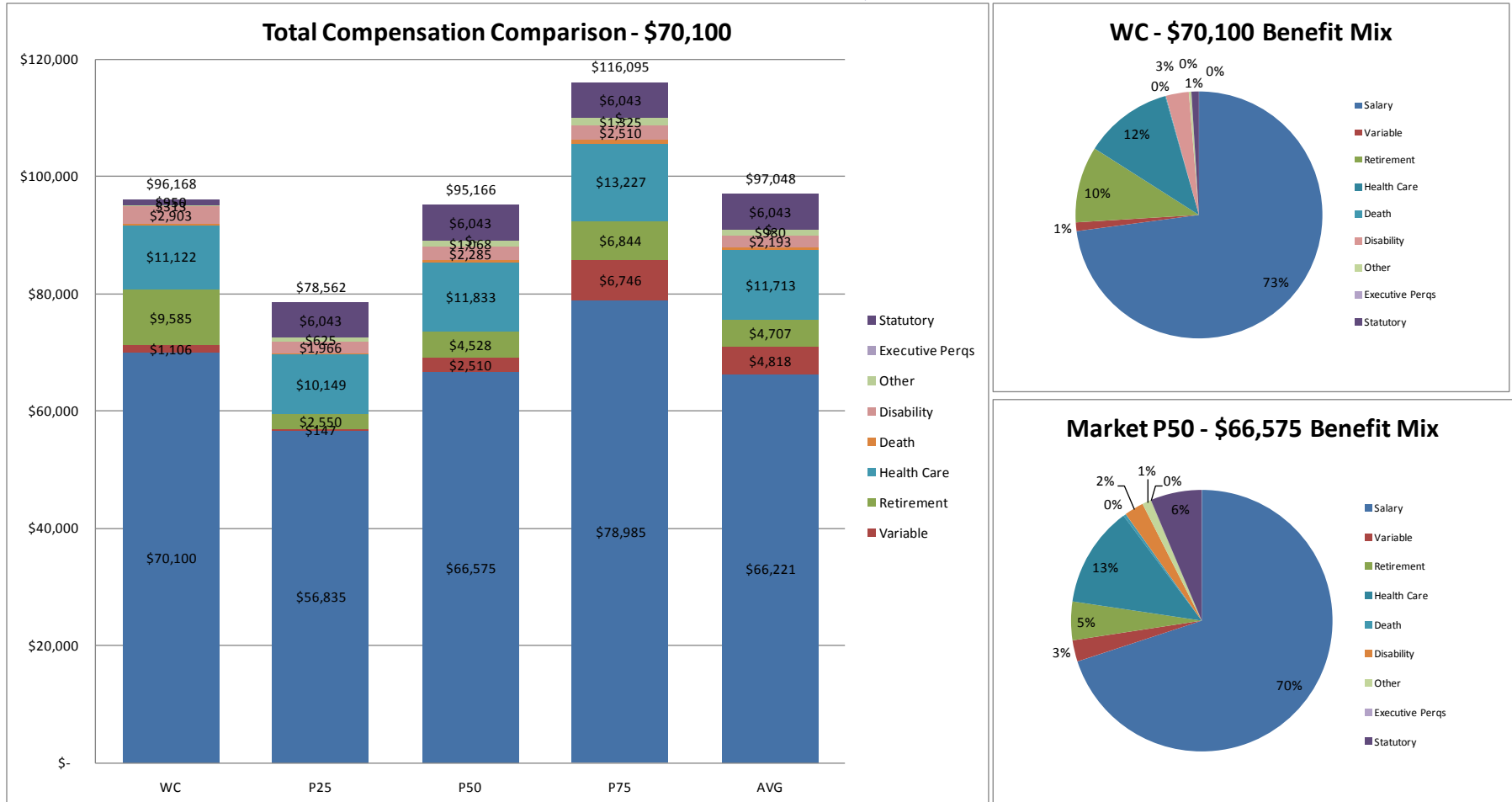
WASHOE COUNTY VS. NV PRIVATE SECTOR MARKET - \$53,600 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

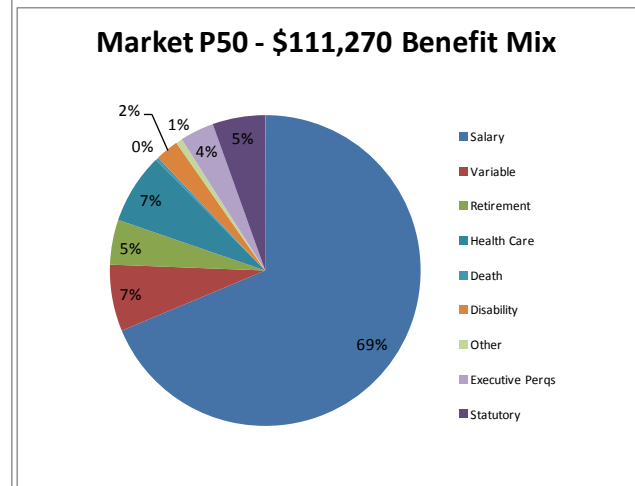
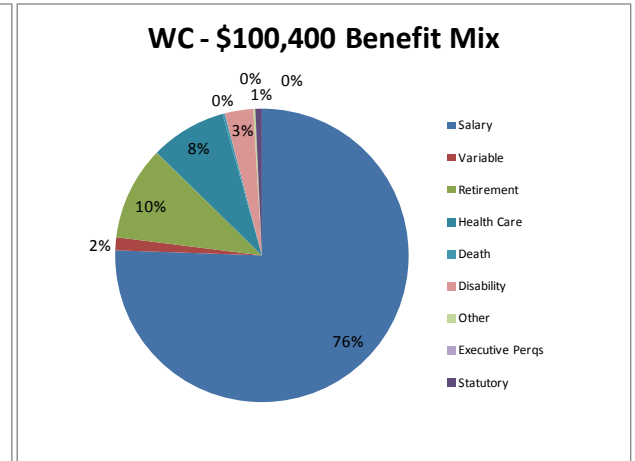
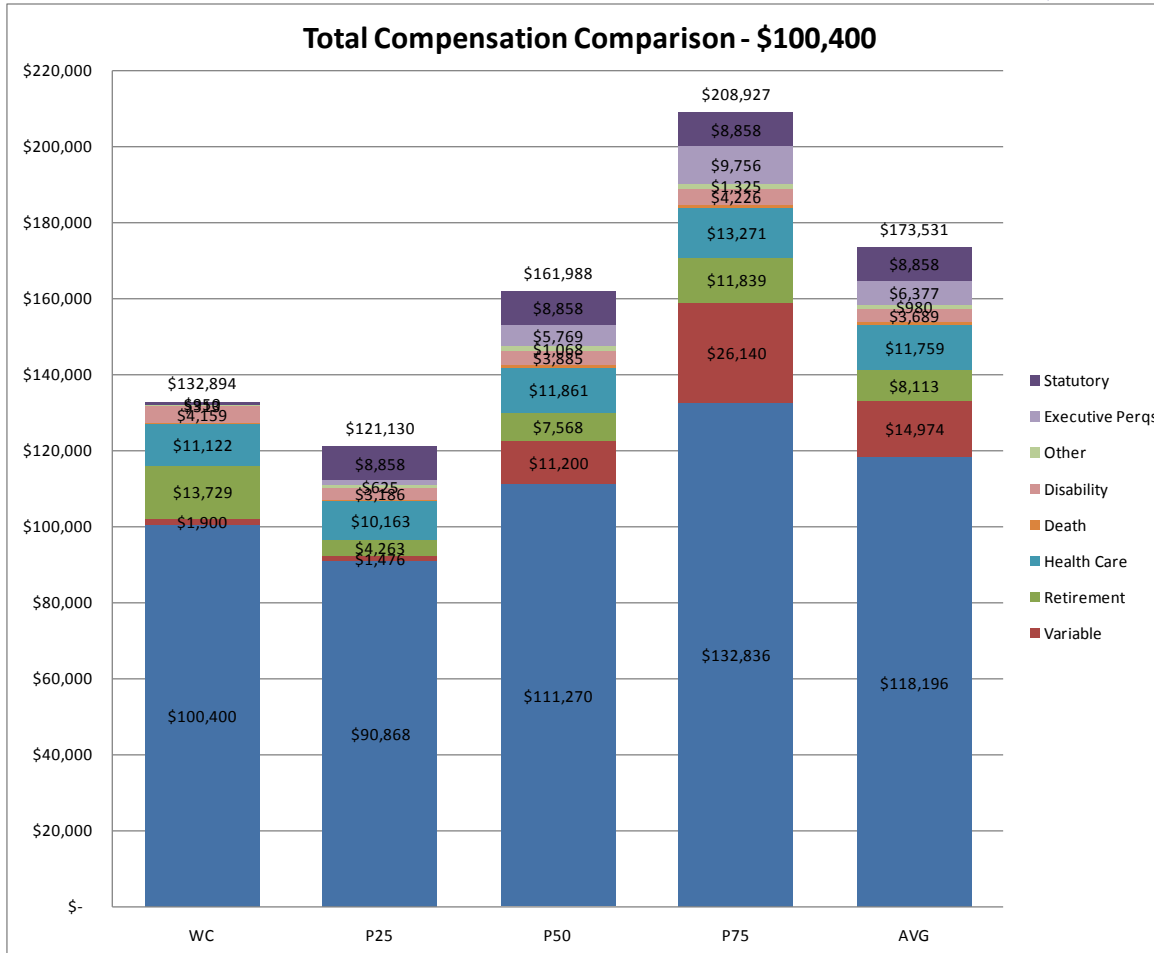
WASHOE COUNTY VS. NV PRIVATE SECTOR MARKET - \$70,100 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

WASHOE COUNTY VS. NV PRIVATE SECTOR MARKET - \$100,400 SALARY



What does the analysis show? (cont'd)

Total Compensation (cont'd)

- It is very important to understand the impact a salary that is less than competitive with the market has on the competitiveness of total career earnings
- In addition, total compensation competitiveness must be seen in terms of workforce demographics; current and future workforce
- While salary is a known value, benefits is perceived value
- There is a perception that often exists in the Public Sector that “our benefits, particularly our retirement plan, are so competitive we don’t need to be competitive on base salary”
- Public Sector employees sacrifice salary now (lower salary compared to market) in return for reward later (above market retirement and possibly post retirement medical)
- Any reduction to any component of the compensation package, such as increased premium contributions for health care or elimination of post retirement health care, must be considered in the context of total compensation, as that change disrupts the balance outlined above – sacrifice now for reward later
- The key decisions to be considered are not only about the level of compensation but also about the mix of compensation

What are the next steps?

This survey has provided a “stress test” of the current compensation plan and it is the opinion of Hay Group that the County’s plan has passed the test

- As stated previously, the current market competitiveness is primarily driven by a combination of sound fiscal decisions that the County has made during both the “good and not so good” economic times and the decisions made by other public entities during those times
- The current level of salary policy competitiveness, when seen in conjunction with the recent decision to stop an approximate 3.44% cost reduction in compensation for employees, provides a sound basis from which to now give consideration to some key components of your compensation plan. These include:
 - A review of your compensation philosophy, such as market policy and pay delivery
 - The salary range structures; should the market policy position continue to be the top of the range? Should the salary ranges be redesigned?

What are the next steps? (cont'd)

- How should pay move? Should it continue to be step based or should there be open ranges with a minimum, a market policy position and a range maximum?
- Should there be a strengthening of the linkage between pay and performance?
- Should there continue to be longevity pay?
- Should premium pay for jobs that continue to lose market position be reviewed for further adjustment?
- In 2011, the Board directed Washoe County leadership to develop a sustainable compensation plan that would be based on strengthening the alignment between revenue and compensation costs
- This market analysis and the recent salary decision provides a sound basis upon which leadership, in consultation and partnership with its employees and their representatives, can continue to address these key compensation policy decisions within the context of developing a sustainable compensation plan

A

Participant Lists

Custom survey participants

City of Carson, NV*

City of Henderson, NV

City of Las Vegas, NV

City of Reno, NV*

City of Sparks, NV*

Clackamas County, OR

Clark County, NV

Clark County, WA

Lane County, OR

Placer County, CA

Sacramento County, CA

Santa Cruz County, CA

Solano County, CA

Sonoma County, CA

Spokane County, WA

State of CA

State of Nevada*

Summit Engineering Corp, NV*

University of Nevada, Reno (NV)*

Washington County, OR

Washoe County School District, NV*

Reno-Sparks Convention & Visitors Authority, NV*

Reno-Sparks Regional Transportation Commission, NV*

*** Participants included in "Greater Reno" Market Cut**

Hay Group all organizations – Nevada participants

- 7-Eleven
- Abercrombie & Fitch
- Abercrombie & Fitch -- Outlets
- Aetna
- Air Liquide America
- Air Products and Chemicals
- Akzo Nobel - Car Refinishes
- Allianz Life Insurance of North America
- American Eagle Outfitters
- American Family Insurance Group
- Amerigroup
- Andersons, The
- Anheuser-Busch InBev -- Anheuser-Busch
- Aramark
- Ashland
- AutoZone
- Bacardi Limited -- Bacardi USA
- Barnes Group Inc.
- BASF
- Best Buy
- Big Lots
- Boehringer Ingelheim Pharmaceuticals
- Bombardier Transportation Holdings USA
- Bridgestone Americas
- Build A Bear Workshop
- Cabela's
- Calgon Carbon
- Carson Tahoe Regional Healthcare
- Carter's
- Carter's -- OshKosh B'Gosh
- Caterpillar
- Charles River Labs
- Charlotte Russe
- Charming Shoppes -- Catherine's
- Charming Shoppes -- Fashion Bug
- Charming Shoppes -- Lane Bryant
- Charming Shoppes -- Outlets
- Chico's -- Chico's
- Chico's -- Soma Intimates
- Chico's -- White House/Black Market
- Children's Place, The
- CHW -- St. Mary's Regional Medical Center
- CHW -- St. Rose Dominican Hospitals - De Lima Campus
- CHW -- St. Rose Dominican Hospitals - San Martin Campus
- CHW -- St. Rose Dominican Hospitals - Siena Campus
- CIGNA
- CIGNA
- CNH Global
- Coach
- Colgate-Palmolive
- Collective Brands
- Compass Group -- NAD
- Constellation Brands -- Crown Imports
- Cooper Industries
- COUNTRY Insurance & Financial Services
- Coventry Health Care
- Crawford
- Cytex Industries
- D&B
- Daiichi Sankyo
- Day & Zimmermann
- Dean Foods
- Deere
- Department of Veterans Affairs
- Diageo North America
- Dick's Sporting Goods
- Dollar Tree
- Dr Pepper Snapple Group

Hay Group all organizations – Nevada participants cont'd

- E. I. du Pont de Nemours
- Eaton
- Express
- Express Scripts
- Family Dollar
- FedEx
- FedEx -- FedEx Express
- FedEx -- FedEx Office and Print Services
- Fidelity Investments
- Foot Locker
- Forest Laboratories
- Fossil
- Galderma Laboratories
- Gap -- Banana Republic
- Gap -- Gap Outlet
- Gap -- Gap Stores
- Gap -- Old Navy
- GNC
- Graceway Pharmaceuticals
- Granite Construction
- Gymboree
- Hallmark Cards -- Retail
- HCA Healthcare -- Montgomery Regional Hospital
- HCA Healthcare -- Mountainview Hospital
- HCA Healthcare -- Summit Medical Center
- HCA Healthcare -- Sunrise Hospital and Medical Center
- Health Net
- Heineken USA
- Helzberg Diamonds
- Hershey Foods
- HMS Host
- Home Depot
- Hot Topic
- J.Crew
- jcpenney
- Kindred Healthcare -- Kindred Hospice
- Kindred Healthcare -- Kindred Long Term Care
- Kindred Healthcare -- Kindred Rehabilitation
- Knowledge Learning Corporation
- Kohl's
- Laureate Education
- Lhoist North America
- LifeCare -- Tahoe Pacific Hospitals
- Limited Brands -- Bath & Body Works
- Limited Brands -- Victoria's Secret Stores
- Limited Stores
- Liz Claiborne
- Lowe's
- LVMH Moet Hennessy Louis Vuitton
- LVMH Moet Hennessy Louis Vuitton - Fendi
- LVMH Moet Hennessy Louis Vuitton - Moet Hennessy USA
- Macy's
- Macy's -- Bloomingdale's
- Magellan Health Services
- Magellan Health Services
- Maidenform Brands
- Margaritaville - Jimmy Buffett's
- MetLife
- Michaels Stores
- Moog
- Movado Group, Inc.
- Nike
- Nordstrom
- Nordstrom -- Nordstrom Rack
- Novo Nordisk

Hay Group all organizations – Nevada participants cont'd

- Office Depot
- OfficeMax
- Panda Restaurant Group
- Penske Truck Leasing
- Pernod Ricard SA -- Pernod Ricard USA
- PETCO
- PETSMART
- Philips Electronics -- North America
- Pier 1 Imports
- PRA International
- Praxair
- Purdue Pharma L.P.
- Ralph Lauren
- Retail Brand Alliance -- Brooks Brothers
- Ritchie Bros. Auctioneers
- SABIC Innovative Plastics US
- Safeway
- Saks
- Saks -- Off 5th
- Sanofi Pasteur
- Sears
- Skyy Spirits
- Sodexo -- Sodexo
- Solutia
- Sonic Automotive
- Southwest Gas
- St. John Knits International
- Stage Stores -- Peebles
- Staples
- Starbucks
- SuperValu
- Takeda Pharmaceuticals North America
- Target
- Tekni-Plex
- Teva Pharmaceuticals USA
- Tiffany & Co.
- Tipp Enterprises -- Novamex
- TJX
- Tory Burch
- Toys R Us
- Tronox
- Tween Brands
- UHS -- Centennial Hills Medical Center
- UHS -- Desert Springs Hospital Medical Center
- UHS -- Northern Nevada Medical Center
- UHS -- Spring Mountain Sahara
- UHS -- Spring Mountain Treatment Center
- UHS -- Spring Valley Hospital Medical Center
- UHS -- Summerlin Hospital Medical Center
- UHS -- Valley Hospital Medical Center
- Unilever US
- UnitedHealth Group
- UnitedHealth Group
- VA Medical Center - Ioannis A. Lougaris Campus
- VA Medical Center - Southern Nevada Campus
- Valley Services
- Walgreens
- Walmart Stores -- Sam's Club
- Walmart Stores -- Stores and Super Stores
- Watson Pharmaceuticals
- William Grant & Sons
- Williams-Sonoma