

# Board Work Session - Compensation

January 2012



# AGENDA

- Regional Comparison of Compensation
- New Pay Philosophy
- Retirement Principles - Next Steps
- Compensation Maintenance Update



# What We Have Done Since April 2011 Adoption of Budget

- Compensation Summit - Summer 2011
- Researched trends - Ongoing
- Took a fresh look at Arlington's current state (salary, retirement, health care)
- Surveyed employees: how to recognize exceptional service and tenure
- Started Compensation Maintenance Plan Studies - June 2011

# Regional Comparison

# Compensation Summit

- Met with Alexandria, Fairfax, & Prince William Compensation, Benefits, and HR Directors (June/July)
- Two off-site meetings held in Arlington to review:
  - Pay approaches and structures
  - Benefit programs
- Documented, reviewed, and shared findings - all in agreement (Appendix A & B)



# Summit Conclusions - Pay

- Strengthened existing relationships and communications
- Variety of approaches used to assess competitiveness
  - *No single best practice - measures include minimum, midpoint, maximum and/or actual*
  - *Variety of organizations used as comparators depending on job*
- Most have open ranges (no steps) – gives more flexibility in changing salary structure and setting pay increases
- All have separate public safety pay scales
- Fairfax and Alexandria have documented pay philosophies that guide practices
- Ability to collect data is dependent on jurisdiction needing reciprocal data - not a problem for Fairfax
- Trends towards broad-banding will make it more difficult to compare pay in the future
- Local Government Personnel Association (LGPA) conducts yearly survey but of limited use to Virginia jurisdictions – group committed to work with COG to make a viable instrument for all

# Summit Conclusions – Benefits

- Overall, Arlington provides competitive, comprehensive, and flexible benefits compared to other jurisdictions
- Healthcare
  - County provides equal number of options (3) as Alexandria and Fairfax in health care; 1 more than Prince William
  - Retiree healthcare has higher subsidy than other jurisdictions – Arlington \$300\*; Alex \$260; FFX \$220
- Retirement
  - Fairfax considering alternative programs to current Defined Benefit Plans
- Other Benefits
  - Arlington offers high number of unique benefits such as onsite financial services, onsite clinic, bike/walk
  - Arlington viewed as leader, cutting edge

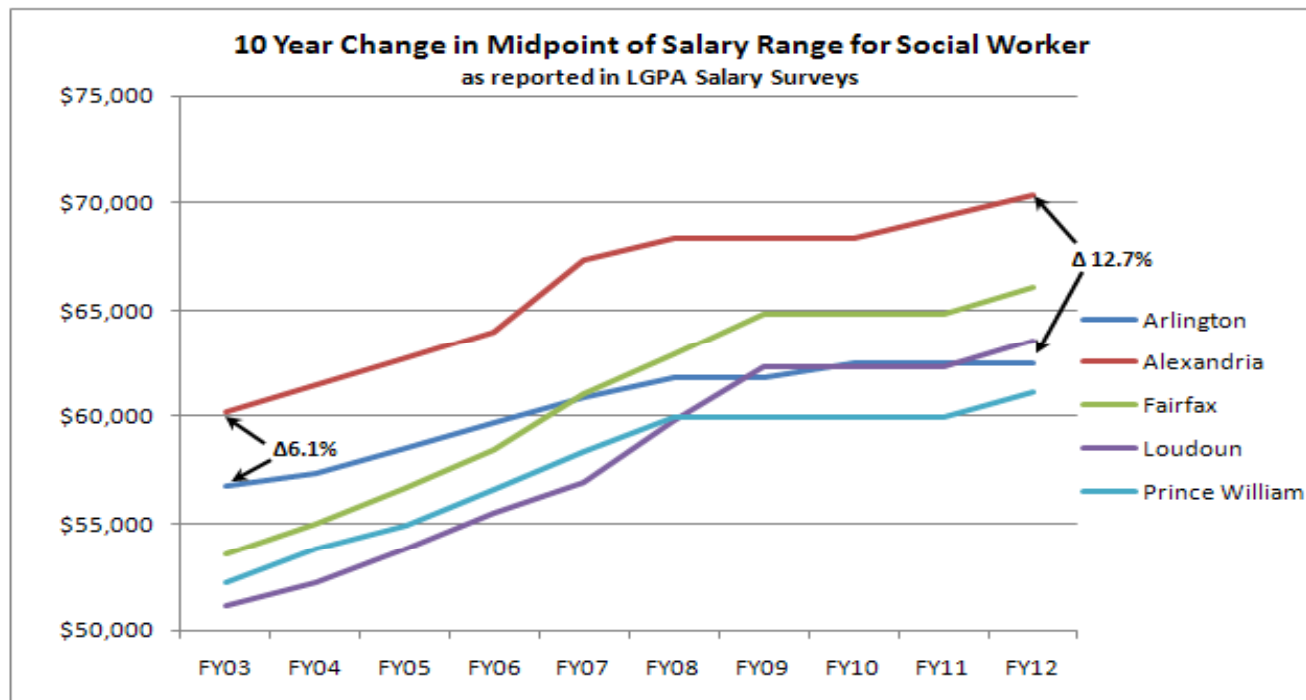
\*New hires after 7/1/08

# Compensation Trends

Research and Current Assessment



# Salary Increases & Structure



- 2012 U.S. projected pay increase budget is approximately 2.9%\*
- Arlington average increase is 2.5%
- Analysis of pay structure shows continuing gap in midpoints over last 10 years and increasing in some
- Over last 5 years Arlington has improved actual salaries due to steps which other jurisdictions have not been able to do
- Appendix G shows a comparison of 10 jobs at minimum, midpoint, and maximum

\*From Society for Human Resource Management 9/2011

# Ongoing concerns

- Pay Structure issues
  - 18.4 % employees maxed out on compensation - down from 20.5% at beginning of FY due to compensation maintenance studies but still significantly higher than neighbors (Appendix C)
  - 48% new employees hired above midpoint - top out more quickly
  - 43% employees cite pay as a reason for leaving in FY11
- Trends in retirement and turnover creating high number of vacancies
  - 15% eligible to retire in FY12; 24% in next 3 years
  - YTD retirement FY12 = 102\*; FY11 = 65
  - Turnover - > 9% in Trades, Clerical, and Management – higher than overall County – 8.6%

*\*Includes 49 January 2012 retirements*



# Current Pay Plan Challenges

Pay Factor	Arlington County (All Employees)	Arlington Schools (Teacher with Masters)	City of Alexandria (General Employees)	Fairfax County Govt (General Employees)	Fairfax County Govt (Public Safety)
Pay Range From Min to Max	65%	90%	73%	67%	63%
Years to Reach Maximum	17	21	17		13
Step Values (number of steps at each value)	4.1% (4) 3.3% (5) 2.3% (8)	1.5% (2) 5.0% (11) 2.5% (3*) *longevity steps w/4 yr wait	5.0%(4) 3.5%(5) 2.3%(8)	Open Ranges Merit Increases budgeted at 4.5% (except FY10, 11, 12)	5.0% (11*) *Last three steps are longevity steps with 2 yr wait
Total Earnings over 18 years (based on \$40,000 annual salary)	\$966,586	\$1,020,327	\$1,020,745	\$1,039,210	\$1,027,632
Difference in Earnings over 18 yrs		\$53,741	\$54,160	\$72,624	\$61,047

*Example assumes equal starting salary and does not factor in differences in salary ranges  
Alexandria is considering move to open ranges*

# How Do We Meet Our Challenges?

# Proposed Pay Philosophy

## Arlington County Government Total Rewards Philosophy

*(DRAFT January 2012)*

### **Philosophy**

This philosophy provides a broad framework to assist the County in making decisions that maintain a competitive, equitable, flexible and affordable Total Rewards Program. The County is committed to a program that allows the County to attract, retain, reward and motivate high quality employees. Total Rewards includes: 1) Salary; 2) Benefits; and 3) Work Environment including programs which support positive work-life balance, effective performance management, employee development and recognition.

The Human Resources Department is responsible for the implementation, continuous maintenance and administration of the programs that support the Total Rewards Philosophy.

The following components will be used in assessing pay competitiveness:

### **Market Competitiveness**

- Salary ranges will be maintained so that the County's range midpoints are within 5% of other comparator jurisdictions. When midpoints are found to be lagging, HR will develop a plan to bring salaries up to a level that is competitive.
- When assessing competitiveness, other measures such as minimums, maximums and pay progression will be considered to ensure that our total salary package is competitive.

### **Comparator Jurisdictions**

- Jurisdictions used for comparison will include at least Fairfax and Alexandria.
- Other job markets (national, regional) and employers (authorities, jurisdictions, private sector organizations) may be used for executive, highly specialized or hard-to-fill jobs to ensure that we are able to recruit and retain employees in those job families.

### **Surveys/Evaluation**

- An annual benchmark survey will be conducted to determine pay competitiveness.
- The benchmark survey and an analysis of benefits comparability will be included as part of the annual budget review process.
- Human Resources will annually evaluate programs that support a positive work experience and recommend new or enhanced programs that address professional development, work/life balance and health. Evaluation will include periodic surveys of employees and consideration of best practices.

### **Implementation**

- Pay adjustments will be approximately the equivalent of an average step increase when salary ranges require adjustment to achieve competitiveness. A multi-year plan may be implemented to address long term competitiveness and to accommodate budget constraints.

# Pay Recommendations

- Continue to use at least Fairfax and Alexandria as comparisons
  - Target average midpoint for most jobs to ensure competitiveness
  - Evaluate other measures (maximum, pay progression) to get complete picture
  - Data collected as needed from other organizations to aid in decision making (private sector, associations, national)
- Rationale:
  - Over 50% employees live in Alexandria, Fairfax, or Arlington
  - While midpoint gives commonly used benchmark, it is also important to consider potential salary earnings over a career lifetime
  - Some specialized jobs draw from markets other than local government – need to be competitive to recruit and retain high quality employees

# Pay Recommendations – (continued)

- Establish open ranges to provide more flexibility
- Rationale
  - Allows Arlington to be more responsive to market changes
  - Allows for combination of performance pay and across the board increases as needed
- Consider alternate public safety pay structure to recognize unique nature of jobs and create better match with competitors
- Rationale
  - Focus on matching at minimum due to competition for entry level
  - Establish reasonable pay progression between ranks
  - Allows Arlington to match market pay with more ease
- Regularly increase pay ranges to keep up with established pay philosophy
- Work with LGPA to improve survey in order to be more useful to Virginia jurisdictions

# Compensation Maintenance Plan



# Impact

- 8 Job families completed – 10% employees
- Focused on those furthest behind based on benchmark study
- Pay structure (midpoint and maximum) now competitive for all with increased pay future for most
  - Based on comparison with average of Fairfax and Alexandria
- Implemented broadband/pay for performance programs for approximately 200 employees (Appendix D)
- Employees receive approximately 3% increase if job class found to lag market – ensure fiscally affordable



### Compensation Maintenance Study Outcomes

Job family	Number Classes	Number Employees	Structural Comparison Findings (based on midpoint of grade range)	Actions Taken to Change Pay Structure	Outcomes (based on midpoint of grade range)	Costs (\$000)
<b>Emergency Communications Technicians</b>	5	62	Behind by 10% at full performance level	Increased grades for ECC III, Asst Supervisor & Supervisor	All classes competitive within 1%	\$156
<b>Planners</b>	9	85	Behind by 14% to 23%	Established broadband/pay for performance program	All classes competitive within 1%	\$230
<b>Survey Instrument Operators</b>	2	8	Operators behind by 15% Supervisors behind by 4%	Added 15% MAR to Operators; 5% MAR to Supervisors	All classes competitive within 1%	\$18
<b>School Crossing Guards</b>	3	29	Behind 19% - (Only 1 non- sup level in FFX & Alex)	Added 10% MAR to both levels	Within -3% of average	\$32
<b>Public Service Aides</b>	2	27	Behind 26% (FFX has some higher level duties)	Added 20% MAR to full performance level	Within -5% of average	\$53
<b>Nurses</b>	3	70	Behind by 4% to 20%; average 15%	Established broadband/pay for performance program for Public Health Nurses; Increased MAR for Nurse Practitioners	Within +1% average	\$181
<b>Librarians</b>	10	54	Average behind by 6%, but max on journey level behind by 10%; one class competitive	Established broadband/pay for performance program	Average within 1.5% Max for Band is within 1% of average	\$130
<b>Construction Management</b>	7	30	CMS group found to be competitive Fac Project Spec behind by 10%	Established broadband/pay for performance program for Construction Management Specialists - no increase Increased MAR for Fac. Proj. Specs.	Competitive within 1% for CMS; Fac Proj Spec within 1%	\$20
<b>Totals</b>	41	365				\$820

# What's Next?

<b>Job Family</b>	<b>Number of Positions</b>
<b>Balance of Fiscal Year 2012</b>	
Trades (in progress)	530
Information Technology/GIS (in progress)	50
Construction Inspectors	75
Communications	30
County Attorney/Commonwealth Attorney	40
<b>Total to be completed in Fiscal Year 2012</b>	<b>725</b>
<b>Fiscal Year 2013</b>	
Public Safety	900
Clerical/Administrative	250



# Retirement Update

# Plan for Updating Retirement Principles *(Tentative Dates)*

- Current principles reviewed by HR staff and Retirement Sustainability Work Group – Fall 2011
  - Recognize changing employee population
  - Support recruitment and retention efforts
- Employee Council review - January 2012
- County employee discussions - February 2012 and ongoing
- Review by Civil Service Commission February 2012
- Update County Board during budget work sessions

# Future Considerations

- Health Care
  - Move towards a Consumer Driven Health Plan (CDHP) as an option
  - Fairfax planning CDHP for 2013, Alex and PW considering
  - Health Care needs continual monitoring to ensure rates and level of benefit are competitive
- Retirement
  - Consider adding a Defined Contribution plan for new hires
    - Offer choice
    - Similar efforts underway in Fairfax
    - New retirement principles and employee input needed
- Compensation
  - Salary structure (ranges) needs to keep up with market
  - Market Payline Adjustments when needed
  - Restore recognition program – coming January 2012

# Summary

- Benefits programs are well situated
  - Retirement and Health Care provide overall competitive package
  - Arlington offers greater variety of other valued benefits
  - Retirement (if pay competitive) – Arlington ranks between 1 and 4 out of 5 jurisdictions for general and public safety defined benefit programs (Appendix E)
- Compensation is improving
  - Impact of economy has had lesser effect on Arlington than other jurisdictions
  - 4-Year Compensation Maintenance Program will address market issues
    - Focusing on job families most in need of correction first
  - Need to also keep up annually with other jurisdictions in order to recruit, retain, motivate and reward employees

# Next Steps

- Review Pay Philosophy and Retirement Principles with:
  - Employee Council – January 2012
  - Civil Service Commission – February 2012
  - All employees – February 2012 & on-going
    - Communications to include diverse media and multiple opportunities for input
- Revise as needed based on input
- Review with County Board at Compensation Work Session – March 2012
- Follow up communication after budget approval
- Continue Compensation Maintenance Program with possible pay structure changes



# Appendices

(A & B are the comp summit charts)

# Employees at Maximum

	Arlington				Alexandria			Prince William		
	General	Public Safety	Total	Current (After Comp Studies)	General	Public Safety	Total	General	Public Safety	Total
Permanent Employees at maximum at end of FY11	493	219	712	639	78	37	115	294	51	345
Total Number of Permanent Employees	2600	870	3470	3470	1907	717	2624	2155	1602	3757
% of Employees at Maximum of Pay Range	19.0%	25.2%	20.5%	18.4%	4.1%	5.2%	4.4%	13.6%	3.2%	9.2%

*\*Current data for Fairfax unavailable; last report (FY10 data) showed 11% of permanent employees at maximum*

# Description of Different Pay Programs

## **Grade/Step Plan (Current)**

- Common in hierarchical organizations
- Recognize tenure – one step for each year of acceptable performance
  - + Easy for staff to understand and administer
  - Not flexible; does not reward outstanding performance; costly to adjust salary ranges

## **Open Range (Proposed for General Employees)**

- Keep grade structure and eliminate steps
- Grades defined by minimum, midpoint, and maximum
- Use set % for each year's increase or variable % based on performance
  - + Flexibility to tailor increases and adjust structure based on current fiscal climate
  - Greater uncertainty for staff – can't predict increase amount from year to year

## **Broadband (Current for 500+ employees)**

- Group positions into relatively wide bands encompassing several grades (e.g., three levels of librarian into one band)
- Focuses on career growth and redefines an employees ability to “move up” in the organization
  - + Gives managers more freedom to guide employee development
  - Requires more discipline to manage pay (e.g., not everyone will acquire/apply skills to move to the top)

# Defined Benefit Comparison

Average Salary:	\$	65,000				
Years of Service:		30				
			<u>General</u>	<u>Police</u>	<u>Sheriff</u>	<u>Fire</u>
Arlington's ranking:			2	4	2	3
<b>Arlington</b>						
Multiplier			1.70%	2.70%	2.70%	2.70%
% of Final Pay (includes supplemental 401a)*			70%	81%	81%	81%
Avg Benefit/Yr			\$ 45,500	\$ 52,650	\$ 52,650	\$ 52,650
<b>Fairfax</b>						
Multiplier			1.85%	2.88%	2.58%	2.58%
% of Final Pay			56%	87%	77%	77%
Avg Benefit/Yr			\$ 36,153	\$ 56,238	\$ 50,213	\$ 50,213
<b>Alexandria (VRS + Supplement)</b>						
Multiplier			2.50%	2.75%	2.60%	2.75%
% of Final Pay			75%	83%	78%	83%
Avg Benefit/Yr			\$ 48,750	\$ 53,625	\$ 50,700	\$ 53,625
<b>Loudoun (VRS)</b>						
Multiplier			1.70%	<i>function</i>	1.70%	1.70%
% of Final Pay			51%	<i>performed</i>	70%	70%
Avg Benefit/Yr			\$ 33,150	<i>by Sheriff</i>	\$ 45,500	\$ 45,500
<b>Prince William County (VRS)</b>						
Multiplier			1.70%	1.70%	1.70%	1.70%
% of Final Pay (includes supplemental 401a & State)			51%	83%	83%	83%
Avg Benefit/Yr			\$ 33,150	\$ 53,950	\$ 53,950	\$ 53,950
Notes:						
			Green Shading indicates highest benefit			

\* Assumes 7.5% rate of return

# Where Employees Live

General Employees		
County	# EEs	% of Total
Arlington	700	26.5%
Fairfax	676	25.6%
Prince George's	251	9.5%
Prince William	233	8.8%
Alexandria City	207	7.8%
D.C.	159	6.0%
Montgomery	98	3.7%
Loudoun	62	2.3%
Stafford	43	1.6%
Charles	33	1.2%
Spotsylvania	23	0.9%
Falls Church City	22	0.8%
Fauquier	14	0.5%
Manassas City	14	0.5%
Frederick (MD)	12	0.5%
Other	95	3.6%
Total General	2642	

Public Safety		
County	# EEs	% of Total
Arlington	184	20.7%
Fairfax	155	17.5%
Prince William	117	13.2%
Prince George's	73	8.2%
Loudoun	45	5.1%
Alexandria City	39	4.4%
Stafford	38	4.3%
Charles	34	3.8%
Spotsylvania	24	2.7%
Fauquier	23	2.6%
Montgomery	20	2.3%
Pennsylvania	20	2.3%
Frederick (MD)	16	1.8%
D.C.	14	1.6%
West Virginia	11	1.2%
Other	74	8.3%
Total Public Safety	887	

All Permanent Employees		
County	# Ees	% of Total
Arlington	884	25.0%
Fairfax	831	23.5%
Prince William	350	9.9%
Prince George's	324	9.2%
Alexandria City	246	7.0%
D.C.	173	4.9%
Montgomery	118	3.3%
Loudoun	107	3.0%
Stafford	81	2.3%
Charles	67	1.9%
Spotsylvania	47	1.3%
Fauquier	37	1.0%
Falls Church City	25	0.7%
Pennsylvania	22	0.6%
Frederick (MD)	20	0.6%
Other	197	5.6%
Total Employees	3529	

# Comparison of Competitiveness Using Different Measures

Title	Arlington					Avg Alex & Ffx			
	Grade	min	mid	max	avg actual	min	mid	max	avg act
Custodial Worker II*	2	\$26,520	\$31,784	\$37,048	\$33,575	\$25,568	\$31,853	\$38,138	\$35,250
						3.59%	-0.22%	-2.94%	-4.99%
Motorized Vehicle Operator II*	3	\$26,520	\$34,060	\$41,600	\$37,266	\$29,919	\$40,343	\$50,767	\$41,487
						-12.81%	-18.45%	-22.03%	-11.33%
Library Assistant I	4	\$27,934	\$37,034	\$46,134	\$36,067	\$29,840	\$39,975	\$50,111	\$38,555
						-6.82%	-7.94%	-8.62%	-6.90%
Administrative Assistant V	5	\$31,179	\$41,350	\$51,521	\$45,527	\$31,236	\$41,856	\$52,476	\$42,961
						-0.18%	-1.22%	-1.85%	5.64%
Engineering Tech II	6	\$34,299	\$45,500	\$56,700	\$43,320	\$35,934	\$48,130	\$60,325	\$47,929
						-4.77%	-5.78%	-6.39%	-10.64%
Eligibility Worker I	7	\$37,565	\$49,826	\$62,088	\$52,859	\$37,256	\$50,216	\$63,177	\$46,194
						0.82%	-0.78%	-1.75%	12.61%
Park Naturalist	8	\$40,664	\$53,955	\$67,246	\$52,374	\$41,882	\$56,565	\$71,249	\$53,009
						-3.00%	-4.84%	-5.95%	-1.21%
Engineer III	10	\$47,049	\$62,431	\$77,812	\$72,288	\$55,150	\$73,869	\$92,588	\$74,417
						-17.22%	-18.32%	-18.99%	-2.95%
Eligibility Supervisor	11	\$50,315	\$66,768	\$83,221	\$82,215	\$50,568	\$68,221	\$85,874	\$71,639
						-0.50%	-2.18%	-3.19%	12.86%
Social Worker Supervisor	81	\$56,264	\$79,945	\$103,626	\$89,066	\$59,795	\$80,696	\$101,596	\$84,249
Broadband Gr 12-14						-6.28%	-0.94%	1.96%	5.41%

\*Jobs with minimum at current living wage of \$12.75/hr

Green indicates Arlington ahead; red indicates Arlington behind