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ARAPAHOE COUNTY

Arapahoe County

Board Summary Report

File #: 26-412 **Agenda Date:** 8/11/2026 **Agenda #:**

To: Board of County Commissioners

Through: Patrick Hernandez, Director, Human Resources

Prepared By:
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Presenter: Dusty Sash, Total Compensation Division Manager, Human Resources

Subject:
1:00 PM *2027 Total Compensation

Purpose and Request:
The purpose of this Study Session is to provide information and receive directions for 2027 Total Compensation Benefits package. This includes specific direction for the following benefits: increasing the County's contribution to the 401a Defined Benefit plan by .25%; reviewing the renewal and setting rates for the 2027 medical plans; use of the dental reserve to manage premium impact; change to Vacation carryover policy; and approval on the 2027 holiday schedules. It is also to provide compensation information for: market updates and 2027 salary structure adjustments and reclassifications; collective bargained compensation proposals; increase to one-time award maximum; and DA hiring rates and compression request.

Alignment with Strategic Plan: Workforce and Community Prosperity - Provide competitive wages, benefits, and workforce policies that attract and retain top talent, as is financially sustainable.

Background and Discussion: Human Resources has been operating Compensation and Benefits in accordance with the Total Compensation Philosophy statement: Arapahoe County will equitably and competitively pay our employees to our defined wage and salary market and adjust as needed to attract new talent and reward performance. While there are five components to Total Compensation (Compensation, Benefits, Work-Life Success, Performance Recognition, and Development & Career Opportunity) we have applied the market competitive rate to compensation and, less formally, to benefits to strive to "pay" at market in accordance with the above philosophy.

To that end, Human Resources participated in market surveys for compensation and benefit plans and analyzed the available results. Following is a summary of the Total Compensation survey findings:

- Medical, Dental, Paid time off plans, tobacco cessation, financial well-being, caregiver support, infants at work and medical gap coverage all lead our market.
- Vision, Flexible Spending Accounts, EAP, Life, AD&D and Disability coverage are all at

market.

- Tuition Reimbursement and Caregiver paid time off lag the market.
- Overall County Compa-Ratio of 0.98.

The proposals and information presented in this Board Summary Report reflect adjustments to keep/move benefits and compensation to be/remain competitive with the Denver/Boulder market. However, the compensation proposals for those covered by collective bargaining groups are compensations' proposals only and do not reflect specific requests of any collective bargaining group.

Benefits Discussion

Retirement Contribution

- Currently, there is a mandatory 9% employee 401(a) defined benefit contribution which the County funds at an additional 10% "match"
- Proposal is to increase the County's contribution to 10.25%
- **Approximate cost: $576,200**

Medical Plan Benchmark Data

The current Core DHMO plan (County base plan) is valued at 12.3% above market. Plan design (Deductible, Out of Pocket Maximum, Copay, Coinsurance) is just lower than benchmark overall, and the employee share of premiums is lower than the benchmark creating the increased value of the County plan.

- County employee only rate is $125 compared to the benchmark of $160
- County average rate for employee plus dependent(s) is $425 compared to the benchmark of $587

Medical Plan Renewal

The Kaiser Renewal is 9.5% or $2,982,600 based on:

- High claims for cancer, COPD, cardiac, Scleroderma, and an increase in high-cost claims; higher pooling point; and underwriting methodology change
- Trend of 6.89% was applied; prior year was 6.42%

Trend benchmarks:

- National Average 9.5%
- Colorado Average 11%

County Cost: $2,232,200 ($1,227,700General Fund)

History

The Plan average renewal over the last 5 years is 3.2%. This is far better than the Colorado and National averages over the same period.

Medical Plan Contribution Strategy - Tiered Percentage

- DHMO
  - Employee Only Coverage at 82% / 18%
  - Dependent Coverage at 72% / 28%
- Choice PPO
  - Buy Up - employees pay a greater percentage of a more costly plan.
  - Employee Only Coverage at 64% / 36%
  - Dependent Coverage at 54% / 46%

- Overall
    - County pays 75% ($26M) with employees sharing the remaining 25% ($9M)

Note on 2028 Rate Cap

Arapahoe County's next Medical RFP is scheduled to be released in 2028 for the 2029 plan year. Contingent on that schedule being maintained, Kaiser Permanente has offered the County a "No Market Strategy" renewal rate cap for 2028 of either a fixed 8% or a not to exceed 9%.

2027 Dental Plan Changes

The Delta Dental Renewal is 0.3% or $5,220 based on claims.
Administrative Fee is a 2.9% increase or $3,050.

- Dental Reserve at approximately $671,300
- Reduce employee rates and use dental reserve to fund increase plus cost share

$0 ($0 to General Fund) pulled $322,100 from Dental Reserve

Life, AD&D, Disability and Medical Gap RFP

The County posted an RFP for Life, AD&D, Disability and Medical Gap carrier. The result was that The Standard will remain the provider at reduced rates for Basic Life and AD&D and Short-term Disability and enhanced plan design to include an Employee Additional Life guarantee issue increase to $250,000, a Spouse Life guarantee issue increase to $50,000, and an accelerated benefit increase to 80% up to $600,000.
-$370,300 savings

Wellbeing Update

- *My Well-being* platform enrollment up 10.7% from 2025
- Wellness Counts Completion at 32% as of July 21. Expected to increase on final reporting
- Total Health provided - 1,005 participants to date in 2026
- Total Brain provides brain health assessments and tools - 1570 participants since 2024
- Your Money Line - provides 10 programs of financial well-being support for employees' current day-to-day financial goals. 902 participants since 2019
- Continue to provide Mental Health First Aid - 398 participants since 2019
- Pivot Tobacco Cessation Program (Tobacco users cost approximately $9,000 more per year on the medical plan than non-tobacco users.)
    - 15 tobacco users currently enrolled; 150 since 2021
- Homethrive - caregiver support - 152 actively participating

Vacation Carry Over

- Current Carry Over Policy
    - All benefit eligible employees may carry over up to 144 hours of vacation regardless of tenure or annual accrual
    - We made this choice intentionally because we recognize that taking vacation is essential for overall well-being
    - However, we also hear from employees that this isn't always feasible, particularly for those accruing time at higher rates
- Proposed Accrual Change
    - Drop down to three accrual tiers
- Proposed Carry Over Policy

- <10 years accrue at 144 hours per year with a carryover of 144 hours
- 10-14.99 years accrue at 168 hours per year with a carryover of 168 hours
- 15+ years accrue at 192 hours per year with a carryover of 192 hours

Potential liability increase: $284,700 ($156,585 to General Fund)

<u>County Holiday Schedule</u>

Offer three (3) floating days (see above) and the thirteen (13) set holidays, in alignment with the dates on the State's holiday schedule. The schedule below is the suggestion for 2027:

- New Years Day - Friday, January 1
- Martin Luther King Day - Monday, January 18
- Presidents Day - Monday, February 15
- Memorial Day - Monday, May 31
- Juneteenth - Friday, June 18
- Independence Day - Monday, July 5
- Labor Day - Monday, September 6
- Arapahoe Day - Monday, October 4
- Veterans Day - Wednesday, November 11
- Thanksgiving Day - Thursday, November 25
- Day after Thanksgiving - Friday, November 26
- Christmas Eve - Thursday, December 23
- Christmas Day - Friday, December 24
- Floating Holidays (3)

<u>Court Holiday Schedule</u>

Offer five (5) floating days (see above) and the thirteen (11) set holidays, in alignment with the dates on the Court's holiday schedule. The schedule below is the suggestion for 2027:

- New Years Day - Friday, January 1
- Martin Luther King Day - Monday, January 18
- Presidents Day - Monday, February 15
- Memorial Day - Monday, May 31
- Juneteenth - Friday, June 18
- Independence Day - Monday, July 5
- Labor Day - Monday, September 6
- Arapahoe Day - Monday, October 4
- Veterans Day - Wednesday, November 11
- Thanksgiving Day - Thursday, November 25
- Christmas Day - Friday, December 24
- Floating Holidays (5)

<u>Other Benefits</u>

- Vision, EAP, FSA, Your Money Line, Caregiver Support, and Ancillary Plans all under rate guarantee with no rate changes.

Compensation Discussion

Labor Market Update

- Employers are focusing more on cost than on retention as primary decision driver (comp and benefits)
- Economic uncertainty remains
- AI restructuring in some fields
  - o Example: targeted reskilling in routine roles like Data Entry Clerks
    - Salaries are lower, and fewer positions are available
- Merit budgets have settled back to the ~3.5% pre pandemic level but turnover and job openings remain at the 2022-2023 levels
  - o Performance based bonuses and short-term incentives continue to gain momentum over base salary increases
- Structural slowdown
  - o Slow to hire, slow to quit
- Salaries in advanced sectors continue to experience growth
  - o Skill sets used to determine compensation

2026 Market Review

- Most US employers are focusing on performance-based pay, which has stabilized at approximately 3.5%, with top performers receiving an average increase of 5.6% and 6%
- Organizations are focusing on performance-based bonuses rather than merit
- Denver's cost of labor is 18% above national average while the cost of living is 12.9% above national average (6/2026 BLS)
- CPI 5.0 (March 2026) vs 2.8 (March 2025) (BLS)
- Denver-Aurora-Centennial Unemployment Rate is at 3.6% (6/2026 BLS)
- 94.8% of employees are in positions that match the market and 87% of our Jobs are matched to the market
- Compa-ratio is 0.98 demonstrating our pay is lagging the market

*BLS = Bureau of Labor Statistics

Market Indicators on pay

- Market movement approximately 1.93%*
- Merit movement peer average 2.43%**

*based on job movement average
**36% of peers reporting in

Market/Structure Adjustments & Reclassifications

- Market and Structure Adjustments
  - o Market data moved 1.93% from 2025 to 2026 - applied to minimums, midpoints and maximums
  - o Recommended funding at 1.5%
- **Cost to fund: $2,229,000** *$2,634,700 with Benefit Load*

- Job Reclassifications and Bring to Minimum (without above funding)
  - o 37 jobs will be reclassified into higher grades
  - o 7 jobs will be reclassified into lower grades
- **Cost due to reclassifications: $71,741** $84,800 *with Benefit Load*

- **Cost to bring to minimum: $20,197** *$23,900 with Benefit Load*
  - Reminder: 3-year trend > 5% variance, 2-year trend > 12% variance, 1 year > 20%

Merit

- Propose 3.1% budget for merit (performance)
  - Can be an adjustment to base rate, lump sum or a combination of both
- **Cost of merit adjustment:**
  - **Base: $4,606,700** *$5,445,000 with Benefit Load*
  - **General Fund: $2,533,700** *$2,994,800 with Benefit Load*

One-Time Awards

- Current $50-$5,000 grossed up award
  - Average award $1,130
  - Average of 70 awards given in a year
- As salaries have increased, the one-time award cap no longer always reflects the level of impact or contribution the employee has made.
- Requesting: $50 - $7,500 grossed up award
- **Cost: ~$56,000**

DA Prosecutors New Hire Rates & Compression Adjustments

- The average salary of our peers for the County DDA is $98K and for DDA1 is $117K
- Feeling that internal promotions from County DDA to DDA1 need to be more significant to motivate movement into higher grades and allow for new hires to come in at a "reasonable" rate without impacting current employees
- Recommend moving hiring/promotional rate for County DDA to $95K and the DDA1 to $114K plus compression for those above these rates
- **Cost: $90,200** *$106,600 with Benefit Load*

Sworn Market and Structure Adjustments (Pending Negotiations)

- Normal Step Progression: $605,400
- Market increase to keep pay at 63rd percentile of 3.01%: $1,731,100
- Sworn Management structure to bring to minimum: $122,300
- **Cost of merit adjustment:**
  - **Base: $2,458,800** *$2,905,500 with Benefit Load*
  - **General Fund: $2,243,700** *$2,652,000 with Benefit Load*

Emergency Communications Market and Structure Adjustments (Pending Negotiations)

- Normal Step Progression: $47,291
- Market increases to keep pay at 63rd percentile of an average 2.95%: $149,842
- **Cost of merit adjustment:**
  - **Base: $197,140** *$232,900 with Benefit Load*

Represented Human Services Annual Increase (Pending County Market and Merit Decisions)

- Market and Structure Adjustments
  - Annual increase of 3.6% across the board
- **Cost of annual increase:**

   - **Base: $1,100,800** *$1,301,100 with Benefit Load*
- Reclassifications
   - 4 jobs will be reclassified into higher grades
- **Cost to bring to minimum due to reclassifications: $700**

Represented FFM Annual Increase (Pending County Market and Merit Decisions)

- Market and Structure Adjustments
   - Annual increase of 3.6% across the board
- **Cost of annual increase:**
   - **Base: $156,600** *$185,100 with Benefit Load*

Alternatives: Alternatives are presented in the report and will be discussed during the presentation.

Fiscal Impact: The fiscal impact of each item is listed in the report. Based on staff recommendation below is a cost summary, as well as an alternative option for consideration.

Recommended Budget Increase includes:

- Medical increase
- Dental Reserve
- Life, Disability and Medical Gap Renewal
- Vacation Tier and Carryover Change
- Increase to the 401A
- 3.1% merit
- 1.5% funded market
- DA Prosecutors new hire and compression
- 3.6% annual increase for HS
- 3.6% annual increase for FFM
- 3.01% increase for sworn
- 2.95% increase for Emergency Communication
- One-time award maximum increase
- **Cost:**
   - **Base: $14,178,626** ***$16,252,812 with Benefit Load***
   - **General Fund: $8,845,772** ***$10,177,225 with Benefit Load***

Alternative Budget Increase

- Medical increase
- Dental Reserve
- Life, Disability and Medical Gap Renewal
- Vacation Tier and Carryover Change
- Increase to the 401A
- 3.1% merit
- Bring to minimum market adjustments
- 3.6% annual increase for HS
- 3.6% annual increase for FFM
- 3.01% increase for sworn
- 2.95% increase for Emergency Communication

- Cost:
    - Base: $11,841,335 *$13,490,134 with Benefit Load*
    - General Fund: $7,560,262 *$8,657,752 with Benefit Load*

Alignment with Strategic Implementation Strategies: N/A

Staff Recommendation: Human Resources appreciates that we are reviewing a substantial amount of information. To meet benefit open enrollment deadlines, it is desired that direction be given during the August 11, 2026, Study Session for the increase to the County's portion of the 401a Defined Benefit contribution, Cost for Medical renewal, use of Reserve Fund for Dental increase, Implementation Vacation Carryover Policy, and 2027 holiday schedules.

Concurrence: The E-Team and A-Team support these recommendations.