



Legislation Text

File #: 22-469, **Version:** 1

To: Board of County Commissioners

Through: Patrick L. Hernandez - Human Resources Director

Prepared By:
Dusty Sash - Total Compensation Division Manager

Presenter: Dusty Sash - Total Compensation Division Manager

Subject:
1:00 PM *2023 Total Compensation

Purpose and Request:

The purpose of this Study Session is to provide information and receive direction for 2023 Total Compensation package.

This includes specific direction for the following benefits: Medical Plan Offering, one or two plans. Currently the HMO+ plan is valued at 48% below market and is costly for employees; using reserve for dental premium off-set; moving ancillary plans to The Standard from AFLAC; increasing County contribution to the 401A plan; and, approval on the 2023 holiday schedule.

It is also to provide compensation information for: 2023 salary structure adjustments; funding for market movement; market trend policy update; motor vehicle starting pay and compression; merit pay adjustments for performance; salary structure adjustments for Sheriff Step Program and Sworn Management; moving SORT to Tier 3 for Supplemental pay; and the Communication Technician Step Program adjustments.

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 in order 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 50th percentile 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 Plan currently within 8% of market average.
- Dental Plan currently has a higher overall financial value compared to market due to low employee contributions.
- Number of Holidays offered competitive with Public and Private Sectors; Sick & Vacation are competitive with our peers

- Other Benefit Plans: Vision, FSA, Group Term Life, Long-Term Disability, and EAP are at market, while the Short-term Disability and Tuition Reimbursement are lagging the market.
- Overall County Compa-Ratio of 0.99, for a third year, indicating pay is lagging the market 50th percentile.
- 2022 Labor Market volatility is having an impact on our compensation program, recruitment, and retention.
- Our peers have processed mid-year, across the board, increases that have averaged 3.52% and puts our compa-ration behind.

The proposals and information presented here reflect adjustments to keep/move benefits and compensation to be competitive with the Denver/Boulder market.

Benefit Discussion

Medical Plan Benchmark Data

The current DHMO plan (County base plan) is valued at 7.30% above market. Plan design (Deductible, Out of Pocket Maximum, Copay, Coinsurance) is slightly more rich than the benchmarks, however, the employee share of premiums is slightly higher than the benchmark creating the increased value of the County plan.

- County employee only rate is \$105 compared to the benchmark of \$106
- County average rate for employee plus dependent(s) is \$391 compared to the benchmark of \$371

Medical Plan Renewal

The Kaiser Renewal is 4.17% or \$960,376 based on:

- Primary drivers were trend of 3.51%
- Regulatory requirements for infertility
- Days Inpatient increased by 42.9% and there was a cost increase of 25.7% for inpatient services; an increase of 19.3% for outpatient; a decrease of 7.4% for Pharmacy; total PMPM costs increased by 18.3%
- Wellness Program Design contributed to reduced renewal by -0.31%

Renewal is favorable compared to market

- National Average 7%
- Colorado Average 5.6%

Cost: \$469,000 (\$258,000 to General Fund)

2023 Medical Plan Changes

Update the Plan Design on mandated changes:

- Additional infertility coverage required
- Expanded Brain Health (Mental Health) with Amwell (online therapy) and Ginger (Emotional Support Coaching)

Contribution Strategy - Tiered Percentage

- DHMO
 - Employee Only Coverage at 84% / 16%
 - Dependent Coverage at 74% / 26%
- HMO+
 - Buy Up - employees pay a greater percentage of a more costly plan

- Employee Only Coverage at 50% / 50%
- Dependent Coverage at 40% / 60%
- Overall
 - County pays 73.8% (\$17.9M) with employees sharing the remaining 26.2% (\$6.3M) (75%/25% with HRA)

Alternate option: End the HMO+ plan and only offer the DHMO plan

- Renewal on one plan will be by 4.8% - \$1,005,794
- Contribution Strategy - Tiered Percentage
 - Employee Only Coverage at 84% / 16%
 - Dependent Coverage at 74% / 26%
- Overall
 - County pays 76.4% (\$18.6M) with employees sharing the remaining 23.6% (\$5.4M) (78%/22% with HRA)

Cost: \$912,000 (\$502,000 to General Fund)

2023 Dental Plan Changes

The Delta Dental Renewal is -2.3% or -\$34,245 based on claims.

- Administrative Fee is on Rate Guarantee
 - Dental Reserve at approximately \$874,000
 - Adjusting rates to be more in line with contribution strategy and to manage the reserve BUT then providing a 10% reduction in rates to pull from reserve
 - Contribution Strategy is 75%/25% employee coverage; 50%/50% dependent coverage
- \$225,000 savings in total but \$191,000 is from Dental Reserve

Wellbeing Update

- *My Well-being* platform enrollment up 7% from 2021
- Wellness Counts Completion at 29%! Expected to increase as final reporting comes in
- Continue to provide Mental Health First Aid - 254 participants to date
- Pivot Smoking Cessation Program (Tobacco users cost approximately \$7000 more per year on the medical plan than non-tobacco users. On our plans this is approximately \$742,000 annually).
 - 14 smokers enrolled
- Your Money Line - provides 10 programs of financial well-being support for employees' current day to day financial goals. 152 participants to date
- Homethrive - caregiver support - 85 enrolled
- Participated in 5k and Treat Street with Open Spaces for Community Well-being
- Adding in Total Health
 - A personalized, holistic approach to well-being, creating a culture of care that will make our employees and our business healthier, with a Total Health Survey gathering biometric data, lifestyle, medical and family history and personal goals. Includes a well-being tracker, challenges, video learning, social engagement, events calendar, resource hub and rewards. This will involve progress measurement, video learning, health coaching, incentives and rewards, group and personal challenges and promotion of our internal benefits programs. This will help us monitor trends and real-time engagement rates. We will use this data to understand the

performance of each pillar of well-being and inform any additional benefit offerings to support.

- Adding in Landed
 - Landed is a shared equity down payment program that helps essential professionals (educators, healthcare professionals, and government employees) reach a 20% down payment, without income restrictions. This has a zero-dollar obligation to Arapahoe County.

Retirement Contribution

- Currently, there is a mandatory 9% employee contribution which the County funds an equivalent 9% match
- Proposal is to increase the County's contribution to 9.25%
- While contribution to the pension is part of Total Compensation Value Exchange, this is a deferred payment for only those that retire, it does not impact employee's taxes or take-home pay, therefore, the perceived value of this benefit will be low

\$440,000

RFQ Results

We are conducting an RFQ through Lockton for our Flexible Spending, COBRA and HRA vendor. Due to employee feedback of customer service issues, claim processing changes and administrative billing issues. Expected decision in late August.

Holiday Pay Design Proposal

Offer one (1) Floating days and the thirteen (13) set holidays, in alignment with the dates on the State's holiday schedule. The schedule below is the suggestion for 2023:

- New Year's Day - Monday, January 2
- Martin Luther King Day - Monday, January 16
- Presidents' Day - Monday, February 20
- Memorial Day - Monday, May 29
- Juneteenth - Monday, June 19
- Independence Day - Tuesday, July 4
- Labor Day - Monday, September 4
- Arapahoe Day - Monday, October 2 (same as Mother Cabrini Day)
- Veterans Day - Friday, November 10
- Thanksgiving Day - Thursday, November 23
- Day after Thanksgiving - Friday, November 24
- Christmas Eve - Monday, December 25
- Christmas Day - Tuesday, December 26
- 1 Floating Holiday

Other Benefits

- Vision, under rate guarantee: no change
- Moving Accident, Critical Illness, Hospital to The Standard: Better coverage, lower rates and a \$50k reduction in our Long-Term Disability rates
- New Arapahoe Rewards Platform: Consolidation under our current broker Lockton, for administrative efficiencies

Compensation Discussion

According to Employers Counsel, both government and private sector employers have projected structure adjustments of 3.8% and merit (performance based) adjustments of 4.1%. However, due to our peers processing mid-year adjustments we estimate the funded market adjustments to be closer to 7.8%, leading us to expect that we are currently lagging the market.

58% of our government peers have reported a proposed average of a 7.8% structure budget and a 3.7% merit budget.

Job Reclassifications

- 12 jobs will be reclassified into a higher grade and 2 jobs will be reclassified into a lower grade, based on 3-year market trend
 - Cost to bring to minimum is \$166
- Labor market is moving in such a way that we need to apply some flexibility in order to compete
 - Would like to modify County Compensation Policy that requires a three-year trend to add the following
 - If a two-year trend at a variance of 12% to 19.9%; reclassify
 - If a one-year trend at a variance of 20% or more; reclassify
 - If approved, an additional 12 jobs would be reclassified up

Cost \$1,000 (*\$1,180 with Benefit Load*)

Structure Adjustment Proposals for non-sworn Grades

- Market indicates a general increase of 3.8% which we applied to the structures
- Requesting to fund for a second year in a row, meaning all employees receive an increase up to maximum in the effort to maintain a competitive structure. As we have lagged the market for the last three years and knowing our peers have made significant mid-year increases, we request to fund 5%.

Cost of Market Structure Adjustment Funded:

- Base: \$5,144,000
- \$2,829,000 to General Fund (*\$3,338,000 with benefit load*)

Motor Vehicle Starting Rate & Compression

Background

- The Motor Vehicle Specialist is being reclassified into an N04
- The Clerk & Recorder currently has 4 levels of Motor Vehicle Specialists (market only supports 2 levels)
- They have agreed to reduce this to 3 levels to more align with market
- Entry level motor vehicle specialists starting rates are moving up quickly in the market

Request

- Move Motor Vehicle Specialist I and II into role of Motor Vehicle Specialist
- Move Motor Vehicle Specialist starting rate to \$21.00/hour and apply compression up through Sr. Motor Vehicle Specialists and Lead Motor Vehicle Specialists

Cost: \$236,000 (*\$279,000 with Benefit Load*)

Base Pay Proposal and Budget for Performance/Key Talent

Compensation's proposal is an allocation of 3% merit for base pay increases for all salary grades for regular, grant funded, and job share employees (except Sheriff Step Programs).

Cost increase for Merit:

- Base: \$3,475,000
- General Fund: \$1,911,000 \$2,255,000 with Benefit Load

Structure Adjustment Proposals for Sworn staff

- Normal Step Progression (\$414,663) Average of 9.71% increase for those not maxed out
- Market indicates a general increase of 3.8%, which we applied to all steps (\$1,285,220)
- Adjustment of 0.57% to keep Deputy pay at 78th percentile (\$192,004)
- Sworn Management structure (\$3,638)
- Cost of Sworn Market Structure Adjustment:
 - Base: \$1,896,000
 - General Fund \$1,668,000 (\$1,968,000 with Benefit Load)

Supplemental Pay

- The Sheriff's Office has requested to move the Special Operations Response Team from Tier 2 receiving \$1,760 per year to Tier 3 receiving \$3,951 per year.

Base Cost: \$79,000

General Fund: \$69,000 (\$82,000 with Benefit Load)

Structure Adjustment Proposals for Communication Technicians

- Normal Step Progression (\$33,256) Average of 15.62% increase for those not maxed out
- Market indicates a general increase of 3.8%, which we applied to all steps (\$84,963)
- Adjustment of 4.04% to keep pay at 78th percentile (\$90,329)

Cost of Communication Technicians Market Structure Adjustment: \$209,000 (\$246,000 with Benefit Load)

Human Resources appreciates that we are reviewing a substantial amount of information and that all final decisions may depend upon information from the County budget process. To meet benefit open enrollment deadlines, it is desired that direction be given during the August 9, 2022, Study Session for the medical plan options, dental reserve, pension contributions, 2023 holiday schedule and Compensation Market Trend Policy update. In addition, direction to Budget to find market adjustments funded at 5%, motor vehicle starting rates and compression, 3% for merit adjustments, market adjustment to Sheriff's Office step structures, supplemental pay change and market adjustments to the communication technician step structures.

Fiscal Impact: Human Resources has prepared models addressing Total Compensation for 2023.

		Benefit Option 1	Benefit Option 2
Benefit Options are either/or but Compensation Options can be mix and match which will adjust the totals.		<ul style="list-style-type: none"> • Medical Plan - No changes: \$468,687 • Bundle Accident, CI, Hosp.: -\$50,000 • Dental Reserve - \$-224,742 • Increase 401A - \$440,000 	<ul style="list-style-type: none"> • Medical Plan - One Plan: \$912,308 • Bundle Accident, CI, Hosp.: -\$50,000 • Dental Reserve: -\$224,742 • Increase 401A - \$440,000
		\$719,341	\$1,130,962
		\$395,638	\$622,029
Compensation Option 1	<ul style="list-style-type: none"> • 5% Structure / Salary Ranges - funded \$5,143,563 • Motor Vehicle Specialists - \$236,126 • 3% Merit Pay (excludes Sheriff Deputy Step Program) \$3,475,076 • Sheriff Deputy Step and Sworn Mgmt. 4.37% Structure adjustments \$1,895,565 • Sworn Mgmt - \$3,638 • SORT moved to tier 3 - \$78,876 • Comm Tech Step Structure adjustments \$208,548 	\$11,041,392	\$11,760,733
		\$6,925,715	\$7,321,353
		\$8,567,981	\$8,794,373
Compensation Option 2	<ul style="list-style-type: none"> • 3.8% Structure / Salary Ranges - funded \$4,401,763 • Motor Vehicle Specialists - \$284,637 • 4.2% Merit Pay (excludes Sheriff Deputy Step Program) \$4,865,106 • Sheriff Deputy Step and Sworn Mgmt. 4.37% Structure adjustments \$1,895,565 • Sworn Mgmt - \$3,638 • Comm Tech Step Structure adjustments \$208,548 	\$11,659,257	\$12,378,598
		\$7,133,255	\$7,528,893
		\$8,812,878	\$9,039,270
		Full Base Cost	General Fund Base Cost
			General Fund Benefit Loaded Cost

Alignment with Strategic Plan:

- ☒ Be fiscally sustainable
☒ Provide essential and mandated service
☐ Be community focused

Staff Recommendation: Benefit Option 1 along with Compensation Option 1 as listed above in Fiscal Impact chart.

Concurrence: The E-Team, A-Team and Executive Budget Committee have viewed and contributed to this proposal.