

LEGISLATIVE BUDGET AND AUDIT COMMITTEE

Wage and Benefit Study

January 1999

**- FINAL REPORT -**

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These survey results were prepared by

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# Table of Contents

<b>Executive Summary.....</b>	<b>1</b>
<b>Project Purpose.....</b>	<b>3</b>
<b>Project Objectives.....</b>	<b>4</b>
<b>Project Approach.....</b>	<b>5</b>
<b>Survey Evaluation Criteria.....</b>	<b>15</b>
<b>Survey Results.....</b>	<b>16</b>
<b>Conclusions.....</b>	<b>22</b>

# Executive Summary

## Purpose

KPMG was retained by the Legislative Budget and Audit Committee to conduct an external survey to determine whether the State of Alaska (State) offers competitive wages and benefits in comparison with other Alaskan employers and selected employers in the Northwestern United States. A description of the employers surveyed and survey methodology is included on pages 5 through 14.

## Methodology

A private survey was conducted to determine market salaries for 82 benchmark jobs within the State, accounting for 3,032 State employees. Two hundred organizations were approached to participate in the survey, and 68 (34%) responded. This information was supplemented with information from published survey data for an additional 10 benchmark jobs, pertaining to another 140 State employees. These benchmark jobs are identified on pages 6 and 7. The data is presented as both a percentage of the market median and the market weighted average as discussed on page 15.

## Summary Conclusions

Overall, State wages and benefits are extremely competitive with the external markets surveyed (as adjusted for Alaska cost of living, see page 11). As described more fully on pages 16 through 21 combined salary and benefits are at or above the upper range of what is considered to be the market for the benchmark jobs. A summary of the conclusions are as follows:

- Combined wages and benefits for State employees are at the top of the market range based upon the market median<sup>1</sup> and above the high end of the market range based upon the market weighted average<sup>2</sup> (see page 16).
- Based upon an analysis of private salary survey results using the market median, a significant number of State benchmark jobs are above the market range as follows:
  - 30% of the benchmark jobs (25 out of 82) are considered above the market range
  - 68% of the benchmark jobs (55 out of 82) are considered within the market range

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<sup>1</sup> The market median is calculated by rank ordering the averages reported by each organization from high to low and selecting the amount where half the reported salaries are above and half are below the amount reported as the market median.

<sup>2</sup> The market weighted average is determined by multiplying reported average salary from each data source times the number of positions to which the average pertains. The products of these multiplications are then summed and divided by the total number of positions included in the sample.

- 2% of the benchmark jobs (2 out of 82) are considered below the market range

## Executive Summary (cont.)

- Based upon an analysis of private salary survey results using the market weighted average, a significant number of State jobs are above market as follows:
  - 38% of the benchmark jobs (31 out of 82) are considered above the market range
  - 61% of the benchmark jobs (50 out of 82) are considered within the market range
  - 1% of the benchmark jobs (1 out of 82) are considered below the market range
- Based upon an analysis of published national data for certain positions for which private survey data is unavailable, 3 of 10 positions were compensated above the market range and 7 were compensated within the market range
- An analysis by pay range stratification (pay range 12 and below, ranges 13-18, ranges 19-22 and range 23 above) reveals that the aggregate compensation for positions within a particular segment are within a market range when compared with the survey median, however ranges 13 through 18 are above the market range based upon the survey market weighted average (see page 18)
- The cost of benefits for State employees are substantially higher than the survey participants as follows:
  - State benefits as a percentage of State salaries are 46%
  - Survey participant benefits as a percentage of both market median and market weighted average participant salaries are 39%
- State contributions toward medical benefits are 31% higher than the average contribution for other survey participants
- State contributions for SBS and PERS are 25% higher than retirement and social security contributions for survey participants overall, but similar to retirement contributions for public employers in the survey
- Paid time off benefits for State employees are approximately 48% higher than the average for all survey participants, and 24% higher than the average of all public employers in the survey

## Project Purpose

KPMG LLP (KPMG) was retained by the Legislative Budget and Audit Committee (the Committee) to conduct an external competitiveness study of the total compensation package for employees of the State of Alaska (the State). KPMG prepared this report documenting the comparison between the total compensation of State of Alaska employees and the total compensation for employees in comparative private and public sector markets in Alaska and the Pacific Northwest.

External salary surveys are used by employers to determine the compensation levels needed to attract and retain quality employees and to design a strategy for compensating their workforce. There are a variety of purposes an external salary survey may fulfill, including:

- Ensuring external equity (i.e., to determine if current salary rates are sufficient to attract new employees as well as retain current employees);
- Validating job evaluation systems (i.e., to determine if they are providing equal pay for jobs of equal worth and if they have adequate pay differentials for work of unequal worth); and
- Regulatory compliance (i.e., justification for pay practices by using market data when challenged by lawsuits with respect to discrimination).

For purposes of this study we conducted an external salary survey to analyze external equity.

## Project Objectives

The objectives of this study were to:

1. Develop an understanding of the State's current compensation program,
2. Perform a market analysis/pricing which includes:
  - Identifying the competing labor market for benchmark<sup>3</sup> job classes;
  - Surveying a sample of employers in the appropriate labor market;
  - Adjusting the data as appropriate to reflect geographic differences in locations surveyed; and
  - Analyzing the data, applying appropriate statistical techniques.
3. Prepare a final report detailing our findings and observations.

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<sup>3</sup> Benchmark jobs are jobs that are well known in similar organizations; are relatively stable; represent a large portion of the organization; and in total, represent the entire job structure from the highest paying positions to the lowest paying positions.

## Project Approach

A compensation and benefits survey allows an employer to select specific benchmark jobs and to customize a list of targeted survey participants in order to obtain relevant market data to assess external competitiveness. The process we used for designing and implementing a compensation and benefits survey for the State is detailed on the following pages. KPMG's approach to this project included building on our previous experience conducting competitive analyses and designing and implementing effective compensation programs on behalf of other government entities. In addition, we gathered input from a designated Task Force composed of a legislative representative, State administrators and union representatives. The individuals on the Task Force were:

<b><u>Name</u></b>	<b><u>Organization</u></b>
Alison Elgee	State of Alaska Administration
David Koivuniemi	State of Alaska Administration
Kelly Brown	Alaska State Employees Association (ASEA)
Bruce Ludwig	Alaska Public Employees Association (APEA)
Mike Otto	Public Employees Loc 71, AFL-CIO (Local 71)
Keith Perrin/Jeff Potter	Public Safety Employees Association (PSEA)
Bob Provost	Inlandboatmen's Union of Pacific (IBU)
Capt. Steve Demeroutis/George Breretori	Intl. Orgn. Masters, Mates & Pilots (MM&P)
Greg O'Claray	Marine Engineers Beneficial Association (MEBA)
Jim Alter	National Education Association (NEA - Alaska)
Jerry Burnett	Legislative Budget and Audit Committee

### *Benchmark Jobs*

Benchmark jobs selected for the compensation portion of the survey were jobs that:

- were well known to the targeted list of survey participants;
- were relatively stable (i.e., they do not rapidly change in scope over time);
- represented a large portion of the State's employee population; and
- in total, represented the State's job structure from the highest paying jobs to the lowest paying jobs.

## Project Approach (cont.)

We received sufficient data for the following 82 jobs from our private salary survey. These 82 benchmark jobs account for 3,032 State of Alaska employees. Please see Appendix A for brief job descriptions of all jobs included in the survey.

Able Seaman	Criminalist	Librarian
Accountant	Custodian	Licensed Practical Nurse
Accounting Clerk	Data Processing Manager	Maintenance Worker
Administrative Assistant	Data Processing Technician	Marine Traffic Manager
Administrative Clerk	Director of Administration	Master
Aircraft Mechanic	Director of Public Health	Microcomputer Network Specialist
Aircraft Pilot (Level 2)	Education Specialist	Microcomputer/Network Technician
Airport Manager	Electrician	Nurse (Psychiatric)
Analyst/Programmer	Eligibility Quality Control Technician	Occupational Therapist
Assisted Living Care Coordinator	Eligibility Technician	Park Ranger
Attorney	Engineer/Architect	Park Superintendent
Audio Visual Equipment Technician	Engineering Assistant	Payroll Specialist
Audit Manager	Environmental Engineer	Physical Therapist
Building Maintenance Superintendent	Environmental Engineering Associate	Procurement Specialist
Cartographer	Equipment Operator	Program Budget Analyst
Certified Nurses Aide	Fishery Biologist	Public Health Nurse
Chemist	Food Service Worker	Receptionist
Chief Cook	Forester	Research Analyst
Chief, Emergency Medical Services	Geologist	Revenue Auditor
Claims Administrator	Grants Administrator	Second/Third Mates
Clerical Aide	Graphic Artist	Secretary
Clerk Typist	Heavy Duty Mechanic	Security Guard
Computer Info. Systems Specialist	Human Resources Manager	Social Worker
Contracting Officer	Hydrologist	State Trooper
Controller	Industrial Hygienist	Technical Engineer - Architect
Cook	Information Officer	Youth Counselor - Juv/Rehab
Correctional Officer	Law Clerk	
Correctional Superintendent	Legal Secretary	

## Project Approach (cont.)

An additional 10 benchmark positions covering 140 State employees were analyzed using published survey data:

Actuary	Loan Collection Officer	School Food Coordinator	Wildlife Biologist II
Armed Security Officer	Microbiologist II	Teacher ACSEA	
Financial Instit. Examiner	Motor Vehicle Cust. Svc.	Teacher AVTEC	

### *Selecting Employers to Survey*

Employers selected to participate in the compensation and benefits survey were based on the following criteria:

- employers that had jobs similar to the State;
- employers that were similar to the State in industry type, size and location; and
- employers that the State loses employees to, or attracts employees from.

### *Survey Participants*

We requested data from approximately 200 organizations and a total of 68 organizations participated in the compensation portion of the survey and 66 of these participants also responded to the benefits portion of the survey. A 34% response rate (i.e., 68 out of 200) provides a reasonable sampling of data to review external competitiveness. This sample is adequate to enable certain conclusions to be drawn as indicated in the Executive Summary and Conclusions sections of this report. The following list of survey participants is first separated by type of organization (i.e., government/public and non-government/private) and then by location (i.e., Alaska and out of state).

## Project Approach (cont.)

<b>Government/Public Organizations</b>	
<b><u>Alaska</u></b>	<b><u>Out of State</u></b>
ATU Telecommunications	City of Long Beach
Bristol Bay Borough	City of Salem
City of Ketchikan	City of Tacoma
City of Nome	Clark Public Utilities
Fairbanks North Star Borough	County of Clackamas
Golden Valley Electric Association	County of San Diego
Kodiak Island Borough	County of San Joaquin
Kenai Peninsula Borough	Grant County Public Utility District
Matanuska Electric Association, Inc.	Oak Lodge Water District
Matanuska-Susitna Borough School District	Oregon Department of Fish & Wildlife
Municipality of Anchorage	Oregon Department of Transportation
Summit Telephone Company, Inc.	Port of Seattle
University of Alaska Fairbanks	South Coast Air Quality Mgmt. District
USCG Exchange System	South Sound Utility Company, Inc.
	State of Washington
	Snohomish County Public Utility District
	United Utilities, Inc.
	USDA Forest Service
	US Environmental Protection Agency, Region 9
	Washington Department of Natural Resources
	Washington State Ferries

## Project Approach (cont.)

<b>Non-Government/Private Corporations</b>	
<b><u>Alaska</u></b>	<b><u>Out of State</u></b>
Alaska Commercial Company	Century Tel
Alaska Sales & Service, Inc.	North American Energy Services Company
American Building Maintenance	Northwest Hospital
Anchorage Cold Storage	Patriot Contract Services, LLC
Anchorage Hilton Hotel	Princess Tours
ARCO Alaska	Williams, Inc.
Bartlett Regional Hospital	
Carr-Gottstein Foods Co.	
CDC/TAG Joint Venture	
Charter North Star Behavioral Health System	
Computer Task Group (CTG)	
Fairbanks Daily News-Miner	
Foss Maritime Company	
General Communications Inc.	
Hickel Investment Company	
NANA Development Corp.	
Northern Air Cargo, Inc.	
Northwest Airlines Cargo	
Peninsula Airways, Inc.	
Piquiniq Management Corporation	
Providence Health System in Alaska	
Reeve Aleutian Airways	
Sheraton Anchorage Hotel	
Statewide Services Inc.	
Spenard Builders Supply, Inc.	
Tesoro Alaska Petroleum Company	
Tesoro Northstore Company	

## Project Approach (cont.)

### *Internal Contact with Target Survey Participants*

We placed telephone calls to every targeted survey participant to request their participation in both the benefits survey via telephone and the written compensation survey.

When we called each targeted participant we:

- ensured the respondent that all individual responses would remain confidential;
- stated that we would provide a copy of the completed survey results if they participated; and
- provided a brief description of the contents of the survey.

### *Published Survey Data*

In addition to the data collected from our private survey we matched the benchmark jobs identified for the State to jobs reported in published survey sources. Published survey data provides statistically valid survey data for benchmark jobs which are common across many industries (i.e., secretaries, clerks, accountants, etc.) The published survey sources we used are listed below:

- Economic Research Institute, ERI Geographic Report
- Milliman & Robertson, Alaska Cross Industry Survey
- Watson Wyatt, *The ECS Geographic Report on Office Personnel Compensation*
- Watson Wyatt, *The ECS Geographic Report on Professional and Scientific Personnel Compensation*
- Watson Wyatt, *The ECS Geographic Report on Supervisory Management*
- Watson Wyatt, *The ECS Geographic Report on Technician and Skilled Trades Personnel Compensation*
- Watson Wyatt, *The ECS Industry Report on Middle Management Compensation*
- William M. Mercer, *Finance, Accounting & Legal Compensation Survey*

## Project Approach (cont.)

### *Compensation Survey Process*

We conducted the compensation portion of the survey through a written survey questionnaire which was mailed to all survey participants. Compensation and related data are numeric, and therefore personal interaction is not necessary for accurate information. In fact, mailing written compensation surveys increases the rate of responding organizations because it allows the respondent to find the necessary data at his/her convenience.

### *Data Verification*

After all the benefits survey interviews had been completed and the written compensation surveys had been returned we examined all the data for accuracy and consistency. Once we had verified the data for accuracy we then conducted our analysis which compared the State's current salaries and benefits to the market data.

### *Application of Geographic Differentials*

Geographic differentials are used when cost of living differences between locations are significant enough to warrant different rates of pay for employees performing the same job. In areas where it is difficult to recruit employees because of high living costs, geographic differentials are sometimes used to adjust salaries to be more in line with the costs of living in the location.

For Exhibits A and B, geographic differentials were applied to jobs with salaries of up to \$50,000 to adjust for salary differences between Alaska and other geographic regions. Salary data from the West Coast Region, which includes the cities of Seattle, Portland, San Francisco, Los Angeles and San Diego was adjusted upward by 10%. In Exhibit C, national salary data was adjusted by 20%. The percentage adjustments utilized were determined based upon data provided by the Economic Research Institute (see Appendix B).

In accordance with standards promulgated by the American Compensation Association Standards, jobs with salaries greater than \$50,000 are often recruited on a national basis and, therefore, are typically not influenced by geographic differentials.

Geographic differentials were not applied to data received from Alaskan employers that responded to the survey, because there is no reasonable or consistent data available to make meaningful adjustments.

## Project Approach (cont.)

Unfortunately, as John Boucher discusses in his article “Measuring Alaska’s Cost of Living” in the June 1998 edition of *Alaska Economic Trends*, there really is no one answer to the cost-of-living question. The availability and appropriateness of data to meet the State’s needs is largely dependent on the comparisons that you are trying to make. Additionally, even where data does exist, the results may not be accurate because of the methodology used to compile the data.

Appendix B included with the Exhibits and Appendices under separate cover, contains information from a variety of sources in order to illustrate the diversity of conflicting data that exists with regard to Alaskan geographic differentials. The information included is as follows:

1. Economic Research Institute (ERI) Salary and Cost of Living Comparisons ([www.erieri.com](http://www.erieri.com))
2. ERI Questions and Answers with regard to their survey methodology
3. “Measuring Alaska’s Cost of Living” by John Boucher from the June 1998 edition of *Alaska Economic Trends* ([www.state.ak.us/local/akpages/LABOR/trends/trends.htm](http://www.state.ak.us/local/akpages/LABOR/trends/trends.htm))
4. Data Masters – U.S. Cost of Living Comparison Frequently Asked Questions page ([www.datamasters.com](http://www.datamasters.com))
5. Listing of other resources for cost of living information

### *Geographic Regions*

For information purposes, we separated the data collected from our private compensation survey into the following regions:

- A - Fairbanks and North Alaska
- B - Anchorage and Central Alaska
- C - Juneau and South Alaska
- D - Washington
- E - Oregon
- F - California

### *Federal COLA*

The survey did take into account COLA for federal jobs as applicable.

## Project Approach (cont.)

### *Range Analysis*

The data was also stratified into groups by pay range: pay ranges 12 and below, ranges 13 through 18, ranges 19-22 and ranges 23 and above. These groupings were provided by the Department of Administration. Only those benchmark jobs for which pay ranges are applicable are included in the analysis. Some jobs, such as Electrician and Able Seamen, are in collective bargaining units with a different pay range salary structure.

### *Employee Longevity/Tenure*

The 50% range spread established for each external market salary data point takes into consideration an employee's tenure within the State. To be considered paid competitively, an employee's base salary should be between 80% and 120% of the market median and/or the market weighted average. See page 15 for a discussion of market range.

### *Other Adjustments*

Survey data was also adjusted to a common as-of date of January 1, 1999. State of Alaska data is as of May 1998. To the extent that pay increases were effective on July 1 for State employees, the analysis of State pay versus the market will be impacted. However, the general conclusion (that the majority of State pay is at the high end of the market, with a significant number of jobs in excess of market) will not be affected.

Many State workers work what are considered to be full time jobs but are scheduled for 37.5 hour or 42 hour work weeks. State salaries for overtime eligible and hourly employees were adjusted to a 40 hour work week in conducting the analysis. State salaries for non-overtime eligible employees were not adjusted since the job descriptions for State positions and the survey positions were similar.

### *Benefits Survey Process*

We conducted the cash compensation survey and the benefits survey separately based on the type of information we were collecting. The benefits portion was conducted by telephone to allow for interaction between the interviewer and the respondent which is necessary given the complexity of gathering benefits data.

## Project Approach (cont.)

The benefits survey included the following benefits:

- Child Care
- Life Insurance
- Accidental Death and Dismemberment
- Short Term Disability
- Retirement Benefits
- Long Term Disability
- Medical Benefits (including Dental and Vision)
- Paid Time Off (Personal Leave, Annual Leave, Sick Leave and Vacation)

For benefits information for the State of Alaska, KPMG spoke with personnel in the Department of Administration and gathered a significant amount of information from the State's web page. We reviewed the benefits offered to non-union employees as well as to employees covered by the following unions:

- Alaska State Employees' Association
- Alaska Public Employees' Association
- Public Employees Local 71, AFL - CIO
- Public Safety Employees' Association
- Inlandboatmen's Union of Pacific
- International Organization of Masters, Mates, and Pilots
- International Brotherhood of Electrical Workers, Local 1457
- Confidential Employees Association
- Marine Engineers Beneficial Association
- Alaska Vocational Technical Center Teachers' Associations
- Alyeska Central School Education Association
- Teachers Education Association Mt. Edgecumbe

### *Benefits Methodology*

Our objective was to determine the aggregate cost of benefits as an absolute dollar value and as a percent of base salary, rather than to determine what each individual benefit is worth. Accordingly, for each of the 66 employers surveyed, we calculated the cost of the benefits offered to the "average" employee by determining the total premium paid for the insured benefits and subtracting any contribution made by employees, recognizing the contributions made toward retirement programs, and determining the cost of paid time off. Each employer was asked to provide the percentage of employees belonging to a union as well as the cost of benefits offered to both union and non-union employees. KPMG accounted for the differences in benefits offered to unionized and non-unionized employees to determine the total cost of the benefits offered by each employer.

KPMG summed the total cost of each of the benefits offered to determine the total cost of the benefits offered by each employer.

## Survey Evaluation Criteria

Compensation specialists consider that a 50% range spread from the minimum to the maximum salary for a particular job is a reasonable estimate of a job's worth, and is also standard for employers with a formal salary structure. The competitive range for each benchmark job was set at 20% below and 20% above the market median (i.e., the minimum of the range is 80% of the market and the maximum of the range is 120% of the market). The maximum of a pay range represents the greatest dollar amount that an organization should pay an individual to perform that job. The minimum of a pay range represents the least dollar amount that an organization should pay an individual to perform that job.

### *Market Median versus Market Weighted Average*

The data presented includes information regarding salary and/or salary and benefits as both a percentage of the market median and market weighted average. The market median is calculated by rank ordering the averages reported by each organization from high to low, and selecting the amount where half the reported salaries are above and half are below the amount reported as the market median. The market weighted average is determined by multiplying the reported average salary from each data source times the number of positions to which the average pertains. The products of the multiplications are then summed and divided by the total number of positions included in the samples.

Of these two statistical measures the market median is the more frequently utilized. KPMG believes it is more indicative of the central tendency of a population and less influenced by outliers. Significant differences in the percentages based upon the market median (which is calculated by employer) and the market weighted average (which is calculated for all positions, versus for all employers) can arise where a single employer with a significant number of positions in a particular benchmark job that pays extremely high or low salaries has responded to the private survey. The results for this significant employer will impact the market weighted average to a greater extent than they will impact the market median. However, the market weighted average also is useful, particularly when the sample size is small or when one or more of the survey participants have substantially more jobs than most of the other survey participants for a particular benchmark job.

Both measures have been presented for analysis.

## Survey Results

Overall, the analysis of the external competitiveness of the total compensation plan for State of Alaska employees indicates that the *average* base salary for State employees is at the top of the market range based upon the market median and above the market range based upon the market weighted average. The overall cost of benefits as a *percent of base pay* and in *absolute cost* is also at the high end of the market range.

- When total benefits are added to average salary for all employees, total compensation for State of Alaska employees is 120% of the market median and 125% of the market weighted average for all survey participants.
- Overall, for the salaries for benchmark jobs, State of Alaska employees are paid at 114% of the market median and 119% of the market weighted average.
- Of the 82 benchmark jobs, 25 are considered significantly above the market median (more than 120% of the market median) and 31 are considered significantly above the market weighted average (120% of the market weighted average). Taken together, a total of 35 benchmark jobs are more than 120% of one and/or the other statistical measure.

## Survey Results

These jobs were (in descending order of percent of market median):

### Source--Exhibit A

Job	Percent of Market Median	Percent of Market Wgtd. Average
Food Service Worker I	173	143
Audio Visual Equip Tech. I	158	150
Chief, Emergency Medical Services	151	152
Payroll Specialist I	143	150
Cook I	140	142
Receptionist	137	151
Maintenance Worker I	136	151
Environmental Engineering Asso.	136	138
Research Analyst	133	153
Data Processing Technician II	133	134
Chief Cook	131	149
Assisted Living Care Coordinator	131	141
Second Mate	131	129
Revenue Auditor	130	132
Park Ranger I	129	120
Forester	128	135
Correctional Officer II	128	132
State Trooper	128	126
Public Health Nurse II	127	108
Eligibility Technician II	125	155
Heavy Duty Mechanic	125	119
Equipment Operator	123	150
Criminalist II	122	117
Director of Administration	121	129
Eligibility Quality Control Technician	121	123
Park Superintendent	119	144
Aircraft Mechanic WG III	119	126
Airport Manager Fairbanks	119	123
Engineering Assistant	116	141
Education Specialist II	116	131
Able Seaman	114	139
Custodian	109	121
Accountant II	102	132
Social Worker I	96	122
Audit Manager	90	173

## Survey Results (cont.)

- Private survey data was not available for all jobs. However, results of the published survey data analysis revealed the following three positions to exceed 120% of both the market median and the market weighted average.

### Source--Exhibit C

Job	Percent of Market Median	Percent of Market Wgtd. Average
Armed Security Officer	152	125
Teacher ACSEA	126	126
Actuary	123	121

- There were 2 benchmark jobs considered significantly *below* the market (i.e., less than 80% of the market median for or the market weighted average for the private survey data). These jobs were (in ascending order):

### Source--Exhibit A

Job	Percent of Market Median	Percent of Market Wgtd. Average
Geologist II	75	69
Attorney III	78	97

- KPMG also performed a comparison of the State's salary ranges to the results of the private salary survey. Categorized into four groupings, the State's salary range midpoints vary in relationship to the market:

### Source--Exhibit B

Salary Range Grouping	Percent of Market Median	Percent of Market Wtd. Avg.
Pay ranges 12 and below	103	103
Pay ranges 13 through 18	115	134
Pay ranges 19 through 22	104	116
Pay ranges 23 and above	110	119

## Survey Results (cont.)

As described on page 11, geographic differentials were not applied to salaries in excess of \$50,000, which generally begin at State range 20. If geographical differentials had been applied to salaries in excess of \$50,000, the relationship of the highest two categories to market might be lower by as much as 10%, depending upon the number of respondents for the job from non-Alaskan employers.

- The cost of benefits and benefits as a percentage of salary for the State are higher than corresponding amounts obtained from the private survey data:

### Source--Exhibit D

Group	Cost	Percent of Salary
State of Alaska	\$19,942	46%
Survey Participants	\$15,094	39%

Benefit packages of survey respondents differ from State benefits packages as follows:

- **Disability Benefits.** Unlike many comparables, the State does not generally pay for short term disability or long term disability coverage. Although these benefits are available to State employees, employees must pay for them entirely out-of-pocket. Seventeen survey participants provide short term disability benefits and 36 provide long term disability benefits.
- **Medical Benefits.** State of Alaska contributions towards medical benefits through the flexible benefits plan are approximately 31% higher (\$1,310) than the average contribution for medical benefits for other employers. The employer contribution for State of Alaska employees is generally enough to provide standard medical plan coverage for an individual participant and/or family with a few dollars left to apply to dental coverage or other benefits; this may imply that the medical benefit plan is an above average plan.
- **Flexible Benefits.** Only 31 survey respondents have any form of flexible benefit plan. A flexible benefit plan typically provides employees a choice of benefits to meet each employee's own unique needs. Eight survey participants provide only the most basic form of flexible benefit plans -- flexible spending accounts -- that permit employees to provide for dependent care and/or medical benefit coverage on a pre-tax basis. Of the 31 employers that provide flexible benefit plans, only 13 are public sector employers.
- **Retirement Benefits.** State of Alaska average combined contributions to the Public Employees' Retirement System (PERS) and the Supplemental Benefits System

## Survey Results (cont.)

Annuity Plan (SBS-AP) are 25% higher (\$1,430) than average for the overall survey participant respondents but nearly identical to those for other public employers in the survey. The greatest differences in the cost of retirement benefits between State of Alaska employees and other survey participants are in the comparisons to private sector employers (\$2,781 or 64% higher) and to Alaska survey participants (\$2,199 or 45% higher). When a survey respondent indicated that a specific level of profit sharing contribution to a plan is not required, we assumed that no contribution was made; accordingly, actual contributions for survey participants may be somewhat higher from year to year. Types of retirement plans vary substantially among plan sponsors.

- **Time Off Benefits.** Paid time off benefits for State of Alaska employees, on a *weighted* average basis, are approximately \$2,524 per employee (about 48%) higher than the average for survey participants but only \$1,507 (24%) higher than the average of all public employers in the survey. The greatest differences in the value of paid time off between State of Alaska employees and other survey participants are in the comparisons to private sector employers (\$3,482 or 81% higher) and Alaska survey participants (\$3,079 or 65% higher). It should be noted that (1) paid time off components vary significantly for various classifications of State employees and (2) our analysis does not include certain types of leaves that are related to specific events such as military leave or jury duty.
- **Child Care.** Less than 10% of survey respondents provide child care benefits, although many (including the State of Alaska) permit employees to set aside pre-tax salary in a flexible spending account to provide for dependent care.
- **Tuition Reimbursement.** 75% of respondents have tuition reimbursement programs with significant variations in provisions from one employer to the next. Non-represented employees of the State of Alaska as well as several of the unions have tuition reimbursement provisions.

Following is a summary of the general compensation practices information received from the private survey:

### **Actual Average Salary Increase**

- The actual average salary increase for organizations for the most recent fiscal year was 3.3%.

### **Formal Salary Structure**

- Fifty-five organizations reported maintaining a formal salary structure/salary ranges.

## Survey Results (cont.)

### **Salary Structure Increase**

- For those organizations that have a formal salary structure, the actual salary structure increase during the most recent fiscal year was 2.5%.

### **Hiring Ranges**

- Fifty-four of the surveyed organizations have hiring ranges.

### **Formal Performance Review Process**

- Fifty-five of the surveyed organizations use a formal performance review process for individual employees.

### **Scheduled Work Hours**

- The majority of exempt employees are scheduled to work 40 hours in a week.

### **Overtime**

- Twenty-one organizations reported paying overtime to FLSA exempt employees.
- Overtime for nonexempt employees is paid after an average of 40 hours per week.

Following is a summary of the general compensation practices information received from the private survey (cont.)

### **Paid Holidays**

- The average number of paid holidays for all survey participants was 9.
- The lowest number of paid holidays for all survey participants was 0.
- The highest reported number of paid holidays for all survey participants was 14.

### **Annual Salary Adjustments**

- The table below shows the prevalence of factors used to make annual salary adjustments.

Factor	Percent of Companies Using Factor
Performance	65%
Survey of Market Wage Level	57%
Tenure/Step Increases/Longevity	51%
Negotiated Increases	49%
Operating Budget	46%
CPI in Local Market	33%
Other	14%

# Conclusions

## ***Compensation***

KPMG believes that private survey of benchmark positions, supplemented with national survey data, is an adequate sample from which to draw certain conclusions.

- Total compensation for State of Alaska employees was calculated to be 120% of the market median and 125% of the market weighted average private survey data. This indicates that State employees are compensated more than employees performing similar work in other organizations within the State's defined labor market.
- Based upon an analysis of private salary survey results using the market median, a significant number of State benchmark jobs are above the market range as follows:
  - 30% of the benchmark jobs (25 out of 82) are considered above the market range
  - 68% of the benchmark jobs (55 out of 82) are considered within the market range
  - 2% of the benchmark jobs (2 out of 82) are considered below the market range
- Based upon an analysis of private salary survey results using the market weighted average, a significant number of State jobs are above market as follows:
  - 38% of the benchmark jobs (31 out of 82) are considered above the market range
  - 61% of the benchmark jobs (50 out of 82) are considered within the market range
  - 1% of the benchmark jobs (1 out of 82) are considered below the market range
- Based upon an analysis of published national data for certain positions for which private survey data is unavailable, 3 of 10 positions were compensated above the market range and 7 were compensated within the market range
- An analysis of the survey data by quartile, range 12 and below, ranges 13-18, ranges 19-22 and range 23 and above, reveals that the aggregate data by quartile is within market, with the exception of ranges 13-18, for which State salaries as a percentage of the survey market weighted average are 134%.

## Conclusions (cont.)

### **Benefits**

The cost of benefits offered to employees by the State of Alaska is substantially higher from those offered to employees by organizations included in the survey.

### **Source--Appendix D**

ORGANIZATION	EMPLOYEES	AVERAGE SALARY	TOTAL BENEFITS	TOTAL COMPENSATION	BENEFITS AS A PERCENT OF AVERAGE SALARY
WEIGHTED AVERAGE - STATE OF ALASKA	15,571	\$43,091	\$19,942	\$63,033	46%
MEDIAN - ALL SURVEY PARTICIPANTS (66)	417	\$38,437	\$15,094	\$53,531	39%
AVERAGE - ALL SURVEY PARTICIPANTS (66)	2,552	\$39,940	\$15,543	\$55,483	39%

The cost of certain specific benefits for the State are significantly higher than the costs reported by survey respondents as follows:

- **Medical Benefits.** State of Alaska contributions towards medical benefits through the flexible benefits plan are approximately 31% higher (\$1,310) than the average contribution for medical benefits for other employers.
- **Retirement Benefits.** State of Alaska average combined contributions to the Public Employees' Retirement System (PERS) and the Supplemental Benefits System Annuity Plan (SBS-AP) are 25% higher (\$1,430) than average for the overall survey participant respondents but nearly identical to those for other public employers in the survey. The greatest differences in the cost of retirement benefits between State of Alaska employees and other survey participants are in the comparisons to private sector employers (\$2,781 or 64% higher) and to Alaska survey participants (\$2,199 or 45% higher).
- **Retirement Benefits.** Paid time off benefits for State of Alaska employees, on a *weighted* average basis, are approximately \$2,524 per employee (about 48%) higher than the average for survey participants but only \$1,507 (24%) higher than the average of all public employers in the survey. The greatest differences in the cost of paid time off between State of Alaska employees and other survey participants are in the comparisons to private sector employers (\$3,482 or 81% higher) and Alaska survey participants (\$3,079 or 65% higher).