

Executive Summary

In 2011, the City of Phoenix's Human Resources Department at the direction of the City Council developed a Request for Qualifications (RFQ) for conducting a total compensation study. In July, The City of Phoenix engaged The Segal Company to determine the competitiveness of the overall total compensation package employer cost, including both pay and benefits. This report summarizes our methodology and findings.

In collecting and analyzing data from a wide variety of sources, and in the development of our report, it is important to identify data sources and assumptions that have been made.

Data Collected and Assumptions

Data Collected

Data collected covered:

- 601 benchmarks
- Pay practices (longevity, shift differentials, structure design, etc.)
- Paid leave (vacation, sick, holiday and personal days)
- Disability programs
- Retirement benefits - Defined Benefit (DB)¹ and Defined Contribution (DC)
- Retiree health
- Health benefits (medical, dental and vision)

Data Sources

- A custom survey
 - National public sector employers, including the Arizona State government and comparable cities outside the State of Arizona (250 jobs)
 - Local private sector entities within the State of Arizona (145 jobs)
- Local public sector employers within the State of Arizona (601 jobs)
- Published data representing the private sector labor market (601 jobs)

¹ This study reviewed at a high level DB plans in the market with the understanding The Pension Reform Task Force reviewed the defined benefit plan extensively in order to make recommendations.

Assumptions

- Total compensation is the primary consideration for determining the City's overall market competitiveness. Data reported is current data which is reflective of concessions taken in 2011
- Labor markets vary by type and level of job; labor markets identified include national public sector and private sector, local public sector, and local private sector
- According to compensation standards for public sector entities, Segal defines market competitive ("**at market**") as being within 10 percentage points of the market average – that is between, 5 percent below (-5%) and 5 percent above (+5%) the market average. A competitive range is important in that the market pay rates can fluctuate on an annual basis dependent on the supply and demand of labor¹.

Market Assessment of Compensation

Base Pay

Overall (*public and private sectors*), we found the City to be **at market** (within the competitive range). When considering Phoenix's base pay to each specific labor market, we found:

- *The City is slightly above national public sector employers* by 2 percentage points
- *The City is significantly below local private sector* entities by 19 percentage points
- *The City is at market compared to local public sector employers* (within the competitive range)
- *The City is at market* (within the competitive range) compared to published data

In addition, we found:

- Sworn Public Safety Employees are *slightly above* market by 1 percentage point
- General Employees are **at market** (within the competitive range)

Naturally, we found that when looking at individual job titles, that there are jobs below, jobs at and jobs above market. Detailed findings are located starting on page 12.

Pay Practices

The study covered the following pay practices:

- Additions to base pay
- Pay adjustments

¹ Private sector entities consider competitive range to be between 90% and 110% of market

- Pay plan design (i.e. open ranges, step and grade and/or flat rates)
- Salary budget increases
- Pay progression (i.e. step increases and pay for performance)
- Tuition reimbursement
- Perquisites (i.e. sabbaticals, car allowances, executive physicals, etc.)

In general, the City's *pay practices are consistent* with what is found in the market.

Outliers identified include:

- Weekend differentials which are not commonly found in the market place
- Tuition Reimbursements (\$9,208) which is high compared to the most common maximum of \$5,000
- Executive and Middle Manager perquisites of which Phoenix offers two (2) of the six (6) perquisites (car allowances and relocation allowances) surveyed which is consistent with the public sector

Market Assessment of Benefits Programs

Overall, we found the *City of Phoenix's benefits programs are consistent* with employers in the local area and nationwide, and are most similar to other public sector employers.

Combined Paid Time Off

We found **combined paid time off (vacation, sick, holidays and personal leave) is slightly higher** than the market for all employee groups with the exception of Fire.

Days provided compared to the market show:

- Vacation – *Slightly below market*
- Sick* – *Slightly above market*
- Holidays – *Slightly above market*
- Personal leave – *Slightly above market*

*It is important to note the City does not offer short-term disability and has intentionally increased the number of sick days to account for this.

Long-term Disability

The City pays the full cost for long-term disability insurance provided to employees for a replacement benefit of 66 2/3 of salary, *which is consistent with the market*.

We found in the market:

- Employer contributions range from 47% - 100% of the total cost for long-term disability

Retirement Benefit

Defined Benefit Plan

The City's defined benefit plan was under separate review by the Pension Reform Task Force and was reviewed in this study simply to provide a current total compensation cost to the City. An in-depth review and analysis of the plan has been completed as part of the Pension Reform Task Force's initiative.

Defined Contribution Plan

The *City offers a defined contribution plan and provides non-matching contributions* to Executives and Middle Managers as well as certain collectively bargained General Employee groups, Police and Fire. Contributions rates vary by group in that each group has negotiated different amounts in lieu of other benefits.

We found in the market:

- *Public sector employers do not typically provide a required (non-matching) contribution*
- *Public and private employers may make a matching contribution to employee contribution*

Health Benefits

Retiree Health

The City's retiree health program is *similar and costs less* than what other peers are paying.

PPO Plan

The City *pays slightly less for single coverage and more for family coverage* than the average contribution rate of its peer employers.

Note: The City pays a smaller percentage of total costs for single coverage (80% vs 85%), but pays a higher percentage for family coverage (80% vs 73%)

HMO Plan

The City is *market competitive for both single coverage and for family coverage*.

Note: The City pays a smaller percentage of total costs for single coverage (80% vs 92%) and for family coverage (80% vs 81%).

Market Assessment of Total Compensation

Assumptions

- Total compensation is the primary consideration for determining the City's overall market competitiveness. Data reported is current data which is reflective of concessions taken in 2011
- According to compensation standards for public sector entities, Segal defines market competitive ("**at market**") as being within 10 percentage points of the market average – that is between, 5 percent below (-5%) and 5 percent above (+5%) the market average. A competitive range is important in that the market pay rates can fluctuate on an annual basis dependent on the supply and demand of labor¹.

Total Compensation Comparison

We compared a representative sample of benchmarks (149 jobs) to the overall market (**public and private sector**) and found the majority of jobs to be either at or above market.

Given that overall direct compensation is **at market**, the City's current generous retirement benefits contribute to the number of benchmark jobs whose total compensation is above market. Additional detail can be found in **Tables B10-A and B10-B**.

Note: However, the City should not lose sight that proposed changes to the City's defined benefit retirement program that reduce the City's contribution rate will affect the total compensation numbers in the future.

When reviewing sworn public safety employees and general employees total compensation, we found:

- **Sworn Public Safety is above market** by 5 percentage points
- **General Employees are slightly above market** by 1 percentage point

The remainder of this report describes our methodology and detailed findings for both pay and benefits. Each section in the detailed findings outlines where the City stands against public and private sector employers.

¹ Private sector entities consider competitive range to be between 90% and 110% of market