

# Compensation Study Summary and Outcomes

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# Introduction



# Introduction

## Project summary

Driven by the need to **attract** and **retain** high-quality talent, The State of South Carolina (“The State”) engaged Mercer to evaluate the **competitiveness of compensation** across The State and to **review** the **pay structures** and **practices** in place today.

The Department of State Human Resources (DSHR) was involved throughout the study to validate Mercer’s analyses at key checkpoints.

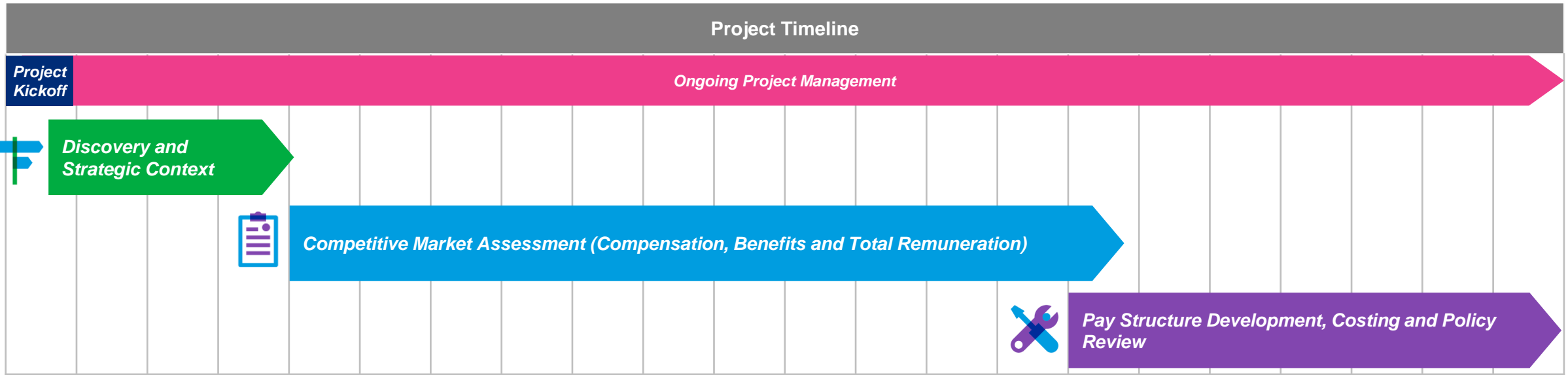


## The scope of this evaluation included:

1. **Competitive Market Assessment** of The State’s compensation (salaries and wage) to both the public and private sectors. Mercer and DSHR identified 396 benchmark job classifications as most appropriate to use for external market pricing.
2. **Job Classification Review** to propose current job classes that may be appropriate to consolidate or differentiate for more accurate pay benchmarking and pay administration in the future.
3. **Benefits Assessment** of The State’s benefit offerings against both the public and private sectors.
4. **Pay Structure Design Recommendations** to revise The State’s current pay structure to more closely meet The State’s pay administration needs. Mercer has recommended moving from a single 10-band pay structure to four (4) pay structures with 10 to 16 grades (varies by structure).
5. **Cost of Implementation** scenarios were developed to evaluate the feasibility and cost impact of moving to Mercer’s recommended market-aligned pay structures.
6. **Pay Policy and Practice Review** of The State’s compensation and salary administration policies and practices with market-aligned, best practice recommendations for sound fiscal stewardship and adherence to legal and regulatory compliance audit and reporting requirements.
7. **Total Remuneration Study** was conducted for all benchmark jobs to assess market competitiveness across all pay elements: base pay, total cash and total remuneration.

# Introduction

## Phase overview



<b>PHASE I</b>	<b>PHASE II</b>	<b>PHASE III</b>
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### KEY ACTIVITIES

- ✓ Review State's data, current strategy, policies and practices
- ✓ Conduct executive interviews + focus groups

- ✓ Develop a benchmarking strategy and compensation philosophy
- ✓ Identify comparable job matches from multiple published surveys
- ✓ Collect data for benchmark positions
- ✓ Complete gap analysis for employee comparison to market
- ✓ Review current job classes for consolidation/differentiation opportunities

- ✓ Review and propose revisions to current pay structures
- ✓ Assign benchmark jobs to pay grades
- ✓ Slot non-benchmark jobs to pay grades
- ✓ Complete a costing analysis for implementation
- ✓ Assess elements of current pay program

### DELIVERABLES

- ✓ Project Plan
- ✓ Data and Information request
- ✓ Key Themes from Stakeholder Interviews

- ✓ Compensation Philosophy
- ✓ Market Pricing Methodology
- ✓ Market Pricing Results (up to 400 jobs) for base salary, target short-term incentive opportunity levels, and total cash compensation, shown at the 25<sup>th</sup>, 50<sup>th</sup> and 75<sup>th</sup> percentiles (as available)
- ✓ Gap Analysis of Incumbent Pay to Market Pricing Results
- ✓ Assessment of benefits and total remuneration for all benchmark positions

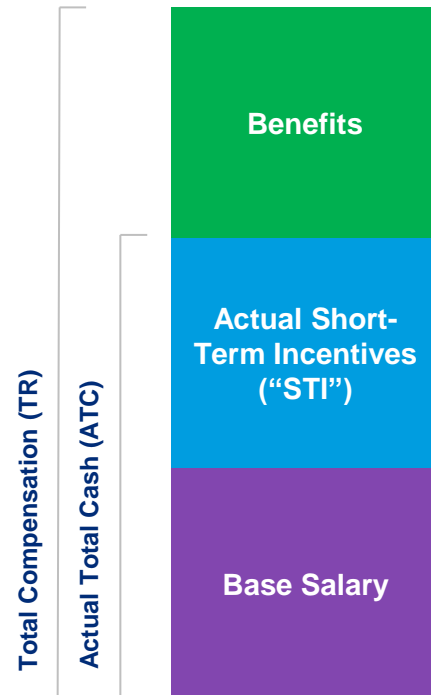
- ✓ Final Report
- ✓ Recommended Pay Structure(s)
- ✓ Employee Mapping to Recommended Pay Structure(s) (via Excel)
- ✓ Presentation to project team / key constituents

# Executive Summary

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# Executive Summary

## Remuneration elements reviewed



- **Total Remuneration** [TR = ATC + Benefits]
  - Includes Retirement, Health, Life & Disability Insurance, and Paid Leave (paid leave not included in Total Remuneration, but rather assessed on a “days off” basis)
- **Actual Total Cash** [ATC = Base Salary + Short-term Incentive]
  - Includes Base Salary plus annualized value of any actual STI awards for those eligible
- **Base Salary**
  - Base Salary statistics calculated using annualized salary reported for each employee

## Market Statistics

- 25<sup>th</sup> percentile, 50<sup>th</sup> percentile (a.k.a. market median), 75<sup>th</sup> percentile
  - Each percentile is defined as the data point that is higher than X% of all other in the sample when ranked from low to high, where X is the percentile value.
- Variance to market defined as percentage above or below the market 50<sup>th</sup> percentile



# Executive Summary

## The State's variance from the market

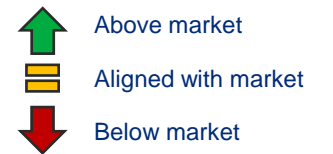





















Pay Element	Findings
Base Salary	<ul style="list-style-type: none"><li>• Overall, The State's base pay is positioned <b>15% below</b> the market 50th percentile (i.e., median)</li><li>• 39% of benchmark jobs have a variance of 20% or more below the market median</li><li>• 29% of benchmark jobs are within 10% (+/-) of market median</li></ul>
Actual Total Cash (ATC)	<ul style="list-style-type: none"><li>• Overall, The State's ATC is positioned <b>19% below</b> the market 50<sup>th</sup> percentile (i.e., median)</li><li>• The State currently offers below-market incentive opportunities, resulting in lower market competitiveness for ATC</li><li>• Roughly half of all benchmark jobs have a variance of 20% or more below the market median for ATC</li></ul>
Total Remuneration (TR)	<ul style="list-style-type: none"><li>• Overall, The State's TR is positioned <b>13% below</b> the market 50<sup>th</sup> percentile (i.e., median)</li><li>• Benefits enhance overall market positioning, but TR is still positioned below median, driven primarily by below-market base salaries</li><li>• 31% of benchmark jobs have a variance of 20% or more below the market median</li></ul>

# Executive Summary

## Benefits assessment

### Your benefits are:



	Vs. Public Sector	Vs. Private Sector	Observations
<b>Retirement</b>			<ul style="list-style-type: none"> <li>Offering a DB plan is consistent with Public Sector and above market for Private Sector where only ~10% provide a DB plan to newly hired employees                             <ul style="list-style-type: none"> <li>1.82% multiplier is between the Public Sector median and 75<sup>th</sup> percentile, but offset by higher mandatory employee contributions</li> </ul> </li> <li>Although The State's total DC employer contributions (5%) are below the median, the choice between a DB and DC plan offers greater flexibility and value than the Private Sector.</li> <li>Total annual value of The State's DB plan is below the Public Sector 25th percentile and above the Private Sector 75th</li> </ul>
<b>Retiree Medical</b>			<ul style="list-style-type: none"> <li>Providing employer-subsidized coverage is aligned with Public Sector and above market practice for the Private Sector</li> </ul>
<b>Medical</b>		 / 	<ul style="list-style-type: none"> <li>Aligned with market in offering both PPO and HDHP options</li> <li><b>PPO</b> plan is aligned with or more generous than market for most plan features</li> <li><b>HDHP</b> cost share is more generous than median for both markets; however, this is offset by higher deductibles and out-of-pocket limits compared to market; lack of employer contributions to the HSA also lags the market</li> </ul>
<b>Dental</b>			<ul style="list-style-type: none"> <li>Providing employer-paid coverage is above Public Sector market median</li> <li>The State's plan features are generally aligned with Private Sector market; however, providing 100% employer-paid individual coverage in the Basic Plan is above market median</li> </ul>
<b>Vision</b>			<ul style="list-style-type: none"> <li>Voluntary plan is aligned with market</li> </ul>
<b>Life Insurance</b>			<ul style="list-style-type: none"> <li>Coverage level is aligned with market</li> </ul>
<b>Short-Term Disability</b>			<ul style="list-style-type: none"> <li>Lack of coverage is below market practice</li> </ul>
<b>Long-Term Disability</b>			<ul style="list-style-type: none"> <li>The State's "dual plan" structure is not common in the market</li> <li>The employer-paid coverage is below market practice due to the \$800 monthly cap</li> </ul>
<b>Paid Leave</b>			<ul style="list-style-type: none"> <li>The State's total days off are fairly well aligned with the Public Sector median and above the Private Sector median</li> </ul>

# Executive Summary

## Overall pay structure cost of implementation

Pay Structure	Job Count	EE Count	Total Cost	State Cost	Federal Cost	Other Cost
General	398	26,941	\$176,306,324	\$82,010,590	\$39,884,541	\$54,411,193
Technology	42	1,203	\$15,278,510	\$8,180,993	\$2,443,943	\$4,653,575
Clinical	54	1,880	\$8,436,208	\$4,177,480	\$3,027,317	\$1,231,411
Certified Law Enforcement	23	5,006	\$10,600,135	\$9,578,453	\$172,528	\$849,154
<b>Overall Total</b>	<b>517</b>	<b>35,030</b>	<b>\$210,621,178</b>	<b>\$103,947,516</b>	<b>\$45,528,329</b>	<b>\$61,145,333</b>
<i>% of Payroll (by funding source)</i>			10.2%	9.3%	11.8%	10.7%

The State chose a pay structure implementation scenario that used **current tenure** to determine **compa-ratio in the new structures**.

More specifically, the costing scenario used **3-year tenure groupings** to utilize the **entire pay range (minimum to maximum)** for the new structure grades.\*

**100%**

This implementation scenario will bring **100%** of The State's employees **above their new grade minimum**.

**\$211M**

The **cost to bring all employees** to their target **compa-ratio** is roughly **\$211 million**, equivalent to about 10% of total payroll cost.

# Phase I: Discovery and Strategic Context

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# Stakeholder Interviews

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# Stakeholder Interviews

## List of interviewees

Interviews were conducted with key stakeholders and/or leaders of 12 key agencies, selected by the core project team.

**State Fiscal  
Accountability Authority**  
Grant Gillespie (Head)  
Marick Walters (HR)

**Dept. of Transportation**  
Christy Hall (Head)  
Karl McCottry (HR)  
Charles Brown (HR)  
Rontreal Tyler (HR)

**Dept. of Corrections**  
Jessica Lovelace (HR)

**Dept. of Parks and  
Tourism**  
Amy Duffy (CoS)  
Justin Lofurno (HR)

**Dept. of Commerce**  
Ashely Teasdel (CoS)  
Lori Adler (HR)

**Dept. of Vocational  
Rehabilitation**  
Felicia Johnson (Head)  
Kimberly Jones (HR)

**Dept. of Admin**  
Marcia Adams (Head)  
Paul Koch (CoS)

**Shared Services  
Agencies**  
Heather Martin (HR)  
Spencer Miller (HR)

**Dept. of Health and  
Human Services**  
Robbie Kerr (Head)  
Deirdra Singleton (CCO)  
Sherry Brown (HR)

**Dept. of Public Safety**  
Robert Woods (Head)  
Tonya Chambers (HR)

**Dept. of Labor,  
Licensing, and  
Regulation**  
Emily Farr (Head)  
Kathryn Britt (HR)

**School for the Deaf and  
the Blind**  
Monique Mosley (HR)

# Stakeholder Interviews

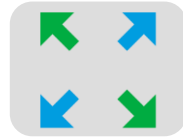
## Key themes

The four themes below **represent some of the key challenges** that The State of South Carolina was facing. Each was mentioned by multiple agencies during our sessions.



### Lack of Agency Cohesion

Agencies are **competing against one another** rather than collaboratively addressing issues, most notably with recruitment challenges and resource limitations



### Difficulty Attracting and Retaining

Declining value of benefits, a highly-compensated talent market, inter-agency competition, lack of career pathing, and negative perceptions of “government” are all **factors contributing to challenges with attraction and retention**



### Broad Compensation Structure

Few, wide salary bands applied across The State have led to **fewer career progression opportunities** and **greater talent compression** in some agencies



### Rigid Compensation Administration

**Lack of policy knowledge** and **commonly used loopholes to increase pay** have diminished the value of some compensation guidelines and policies

## Discussion Topics

Interviewees were asked questions covering the following topics:



Compensation Practices



Organization Structure



Competition for Talent



Employee Experience



Benefits



Culture

# Stakeholder Interviews

## Supporting quotes

### Representative commentary



Lack of Agency Cohesion



Difficulty Attracting and Retaining



Broad Compensation Structure



Rigid Compensation Administration

“State agencies are poaching each other’s talent.”



“We went from too many salary grades to too few bands, now there’s not enough space for people to grow.”



“An ‘every agency for themselves’ environment has been created.”



“We are desperately missing a yearly assessment of pay strategy.”



“In order to get the salary they need and want, employees will hop agencies for a 15% salary increase.”



“State benefits used to be a selling point and offset the pay difference, that isn’t the case anymore.”



“The process to promote and/or reclassify employees to pay them more is arduous and impractical”



“The quality of applicants has steadily decreased as a result of competition with the private sector.”



“The agencies feel fragmented. We all have different messaging for recruitment. It could be consolidated.”



“We struggle to attract and retain, and oftentimes become a training ground for other organizations.”



“We are boxed into compensation bands ... If you give [one employee] an increase, you have to give it to all employees basically.”



“Every time we hire someone above the minimum of their pay band, it must be documented and submitted for approval.”





# Phase II: Competitive Market Assessment

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# Compensation Philosophy

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# Compensation Philosophy

## Factors to consider and desired outcomes

### Factors to consider



**Segmentation**



**Role of each element  
(base salary, annual incentive, benefits)**



**Comparator Group(s)**



**Competitive Positioning**

Separate ranges for specialized roles/agencies, i.e., clinical, law enforcement, technology, etc.

Provide annual incentive targets for select grades to achieve total cash compensation competitiveness

Other state governments and relevant private sector organizations

50<sup>th</sup> percentile for base and total cash compensation for the workforce at large, but consider setting higher or lower targets for unique groups of roles

### Desired outcomes



**Alignment to External Market**



**Governance & Accountability**



**Administration Process**

Provide consistency across agencies, departments, and jobs (similar pay for similar work)

Educate agency / HR leadership to ensure consistency in compensation administration

Market compensation pay levels should be reviewed every year to maintain desired market position

# Compensation Philosophy

## Proposed draft

The State of South Carolina seeks to provide compensation for its employees that is appropriately competitive against government entities in the southeast, as well as relevant segments of the broader marketplace for positions of comparable scope and responsibility. Our compensation approach strives to be internally consistent and explainable; and maintains a competitive position in the marketplace. Through this approach, we aspire to be a leader in compensation among public entities in the State.

The compensation plan is structured to attract, retain, motivate, and inspire the level of talent needed to achieve our short- and long-term objectives. Our long-term goal is to clearly communicate our pay approach so that employees understand pay opportunities in their current and future roles.

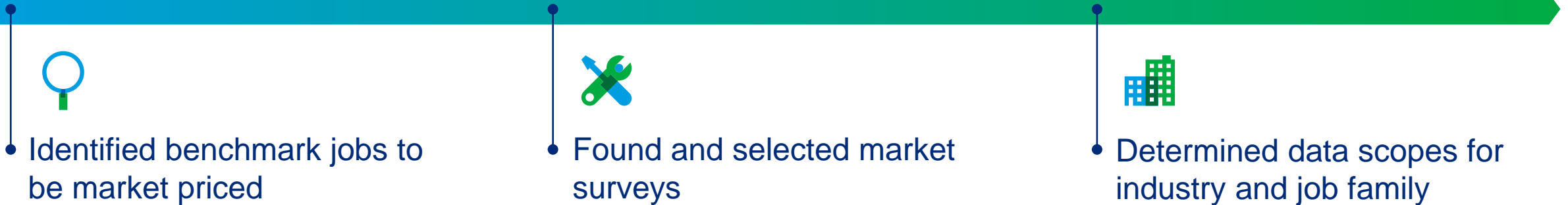
# Benchmarking Methodology



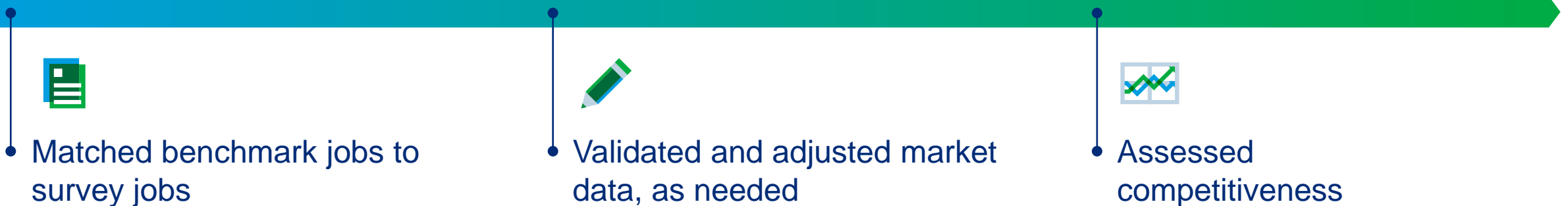
# Benchmarking Methodology

## Process overview

*The general process Mercer utilized to identify and select relevant market data was as follows:*



*Once the methodology was established, Mercer matched the benchmark jobs, refined the market data, and conducted a competitive analysis*



# Benchmarking Methodology

## Collecting survey market data



Survey market data is a pulse on how the market is paying

- In principle, the more survey sources utilized, the more robust the data set on which to make pay decisions
  - Mercer recommended that The State of South Carolina use a wide variety of survey sources from both the public sector and private sector
- Developing survey composite data of benchmark jobs required classifications detailing responsibilities, duties, and accountabilities
  - A composite job is the translation of survey job matches into the agency's job. It can consist of multiple jobs from multiple survey sources
  - The survey composite job data is based on the quality and relevance of each data source. Oftentimes, it requires market pricing adjustments for career level, responsibility scope, or sector cut

Mercer recommended that The State of South Carolina target the **market median** (“matching” the market) and considered **+/- 10-20%** a competitive market range for comparable jobs.



# Benchmarking Methodology

## Aging, weighting and private v. public adjustments



### Summary

- All market data was aged to **January 1, 2024**, using an annual rate of **3.5%\***
- The market 25<sup>th</sup> percentile, median, and 75<sup>th</sup> percentile were reported for base salary and actual total cash
- Any jobs where there was insufficient data to find the right match in survey sources was classified as “Non-Benchmark”



### Benchmarking Methodology

- Used a **50% / 50% blend** of public sector and private sector data where both are available
- Mercer found that private sector survey data is, on average, 8% above public sector data\*\*;
  - A premium of **+8%** was applied to jobs **without private sector data**
  - A discount of **-8%** was applied to jobs **without public sector data**
  - For roles found only in the public sector, such as a Park Ranger or an Elections Specialist, no adjustment was applied
- Surveys were designated to each survey type (public or private) prior to weighting

\*Based on Mercer's US Compensation Planning Survey (March 2023)

\*\*See slide 25 for calculation





# Benchmarking Methodology

## Final list of survey sources

Survey Name	Category
Bureau of Labor Statistics (BLS)	Public
CompData	Private
Mercer Benchmark Database (MBD)	Private
Mercer Integrated Health Network (IHN)	Private
Municipal Association of South Carolina (MASC)	Public
National Compensation Association for State Governments (NCASG)	Public
South Carolina Association of Counties (SCAC)	Public
Sullivan Cotter	Private
Willis Towers Watson (WTW)	Private

# Benchmarking Methodology

## Adjustments and scoping



### Premiums and Discounts

- **Career Level** – Where career level of survey match was not equivalent to The State’s career level, Mercer applied adjustments. To increase or decrease a survey match's career level by one level, Mercer added or subtracted:
  - 10% for professional or para-professional jobs
  - 15% for management jobs
- **Responsibility** – To recognize a benchmark job having greater or lesser responsibilities than contained in a survey match, Mercer added or subtracted:
  - 5% for professional or para-professional jobs
  - 10% for management jobs
- Mercer **only applied a 20% premium or discount** in the case of:
  - A change of two career levels for Professional jobs
  - One career level AND increased/decreased responsibilities for a Management job
- Mercer **did not recommend applying premiums or discounts of greater than 20%**. If a greater adjustment would be required, it is best practice to revise the survey job match or deem the job to be non-benchmark



### Scoping Methodology

- Jobs were scoped using the “**All Industry**” sector (or equivalent)
- Data from NCASG 2023 was scoped to a custom cut of states including AL, GA, KY, NC, TN, and VA



# Benchmarking Methodology

## Public sector vs private sector differential

Mercer methodology recognizes that private sector base salaries tend to be higher than public sector base salaries, so we calculated a premium/discount percentage to use in the case where there was not adequate data to represent both sectors:

- **8% premium** to public sector data to represent private sector pay levels
- **8% discount** to private sector data to represent public sector pay levels

This percentage was calculated using the **average percent differential** between the median base pay levels for a sample of jobs in two different data cuts in the 2023 Mercer Benchmark Database:

- All Data
- State-Owned Enterprise (Crown Corporation)\*

The sample of ~800 benchmark jobs contained **jobs across the following job families at multiple job levels:**

- Human Resources
- Finance
- Creative & Design
- General Management
- Data Analytics & Warehousing
- Engineering & Science
- Healthcare
- Information Technology
- Communications & Corporate Affairs
- Construction
- Administration & Facilities
- Legal & Compliance
- Project/Program Management
- Production & Skilled Trades
- Transportation
- Hospitality

# Classification Review



# Classification Review

## Opportunities for Consolidation

Job Class	Job Title	Benchmarked?	Recommendation	Rationale
AG12	HUMAN RESOURCES MANAGER I	Yes	<b>Consolidate AG12/AG14</b>	Level of responsibility is too similar between classes to justify a true level difference; both levels work under limited supervision and primary difference is size of department; this can be managed via pay administration vs. via a promotion / different job
AG14	HUMAN RESOURCES MANAGER II	Yes		
AG20	HUMAN RESOURCES DIRECTOR I	Yes	<b>Consolidate into 2 unique classes vs. 3 unique classes</b>	Given overlap in level / responsibilities with the HR Manager series; the primary difference is size of HR department (small, medium, large, largest) - it is uncommon in the market to have more than 2 levels of Director
AG25	HUMAN RESOURCES DIRECTOR II	Yes		
AG28	HUMAN RESOURCES DIRECTOR III	No		
AM50	IT SUPERVISOR I	Yes	<b>Consolidate AM50/AM51</b>	Level of responsibility is too similar between classes to justify a true level change; primary difference is size of department; however, the supervisory capacity is the same
AM51	IT SUPERVISOR II	Yes		
AG18	HUMAN RESOURCES CONSULTANT II	No	<b>Consolidate AG18/AG19</b>	Level of responsibility is too similar between classes to justify a true level difference; primary difference is reporting structure (to HR Director/Manager) and the III has slightly more visibility into new policy creation – both levels have “limited supervision and broad decision-making authority”
AG19	HUMAN RESOURCES CONSULTANT III	Yes		
AM60	IT CUSTOMER SUPPORT SPECIALIST I	No	<b>Consolidate AM60/AM61</b>	Experience requirements are very similar between classes to justify a true level difference; level I is “intended for use for the entry level” and level II is “intended for use for the entry or mid-level”
AM61	IT CUSTOMER SUPPORT SPECIALIST II	Yes		
AH30	PROGRAM ASSISTANT	Yes	<b>Consolidate AH30/AH35</b>	Experience requirements are too similar between classes to justify a true level difference; main difference in duties is in the Coordinator (more technical / specialized vs. standard), which could be assumed over a relatively short period of time
AH35	PROGRAM COORDINATOR I	Yes		
BE10	GRANTS COORDINATOR I	Yes	<b>Consolidate BE10/BE20</b>	Opportunity for consolidation identified by DSHR
BE20	GRANTS COORDINATOR II	Yes		
BE30	GRANTS ADMINISTRATOR I	Yes	<b>Consolidate BE30/BE40</b>	Opportunity for consolidation identified by DSHR
BE40	GRANTS ADMINISTRATOR II	Yes		

# Classification Review

## Opportunities for Differentiation

Job Class	Job Title	Benchmarked?	Recommendation	Rationale
AA25	ADMINISTRATIVE SPECIALIST I	No	<b>Differentiate to reflect the variety of different jobs held in this job class</b>	Job class responsibilities were too broad (include library support, records preservation, proofreading written materials, operates vending machines, and research into legal record); benchmark precision may be lacking
AA50	ADMINISTRATIVE SPECIALIST II	Yes		
AH10	ADMINISTRATIVE COORDINATOR I	Yes	<b>Differentiate to reflect the variety of different jobs held in this job class</b>	Job class responsibilities are broad (include procurement, supply chain, personnel, budget and “special assignments”, benchmark precision may be lacking
AH15	ADMINISTRATIVE COORDINATOR II	Yes		
AH20	ADMINISTRATIVE MANAGER I	Yes	<b>Differentiate to reflect the variety of different jobs held in this job class</b>	Job class responsibilities are broad (include administrative duties, plus potential for budget, personnel and “special assignments”, benchmark precision may be lacking
AH25	ADMINISTRATIVE MANAGER II	No		
CB05	EDUCATION ASSOCIATE	Yes	<b>Differentiate to reflect the variety of different jobs held in this job class</b>	Opportunity for differentiation identified by DSHR
JA75	INSPECTOR I	No	<b>Differentiate to reflect the variety of different jobs held in this job class</b>	Job class responsibilities are broad and should more clearly recognize the specific type of inspection; benchmark precision may be lacking
JA80	INSPECTOR II	Yes		
JA85	INSPECTOR III	Yes		
HD60	ENGINEERING ASSOC I	Yes	<b>Differentiate to reflect the variety of different jobs held in this job class</b>	Job class responsibilities are broad and should more clearly recognize the specialty areas within engineering – this class covers many areas that are paid differently and would have unique career paths; it notes specifically construction and environment, but anecdotally includes civil/transportation; benchmark precision may be lacking
HD65	ENG/ENG ASSOC II	Yes		
HD70	ENG/ENG ASSOC III	Yes		
HD75	ENG/ENG ASSOC IV	Yes		

# Benchmarking Results

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# Benchmarking Results

## Explanations and assumptions

- The Bureau of Labor Statistics (BLS) only provides one level per job, so we operated under the assumption that each BLS match was an experienced level (P2/S2) or a manager (M3). *When matching to The State's jobs that were not at these level, we used adjustments to reach the correct level.*
- Per Mercer and The State's discussion, NCASG data was scoped to include 6 states: AL, GA, KY, NC, TN, and VA.
- MASC and SCAC only provided useful comparison statistics at the all-South Carolina level.
- There were limited cases where Mercer applied 30% adjustments to obtain sufficient match coverage.





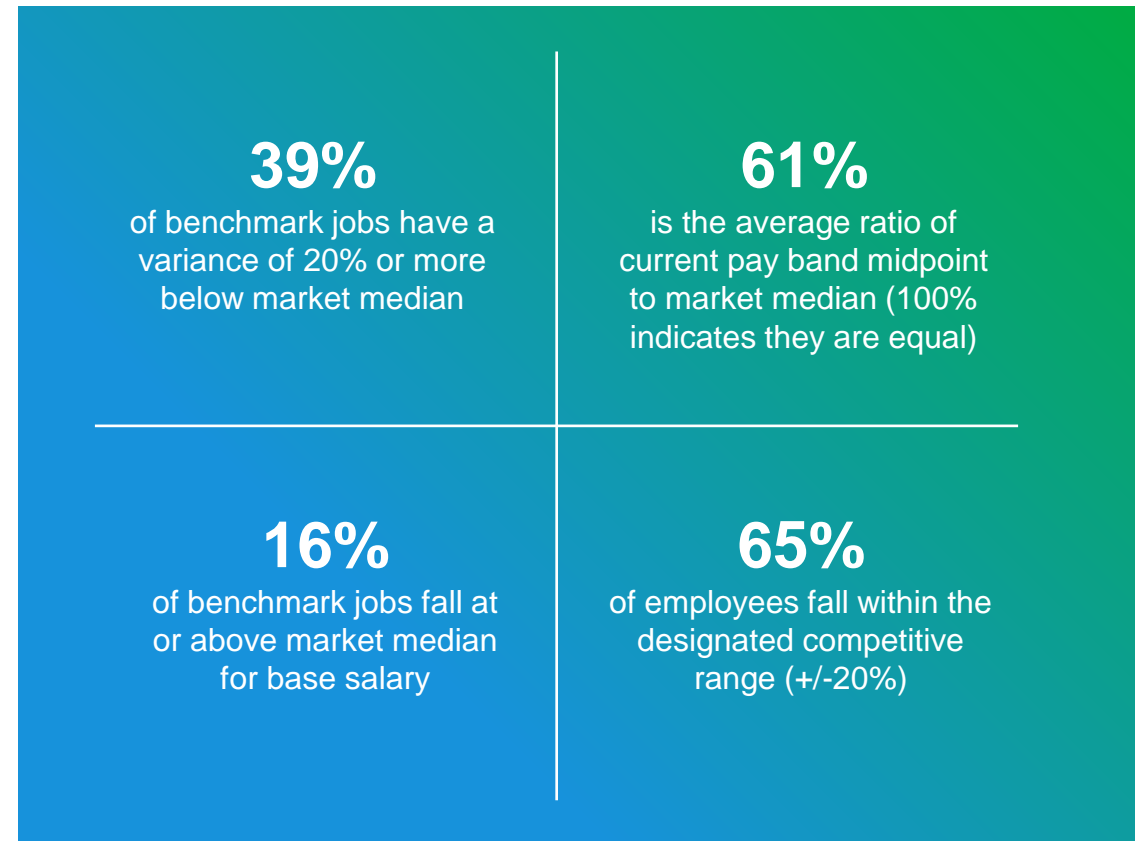
# Benchmarking Results

## Summary\*

### Overall observations

- Entry-level classes and the classes directly above these classes (i.e., pay bands 03 to 06) are the most likely to fall significantly below the market median
  - Classes in the upper pay bands (bands 07 to 10) are the most likely to fall above the market median
- The three functions with the highest proportion of jobs within competitive range of market median (+/-20%) are:
  - Health Services (72% of jobs in competitive range)
  - Human Services (79% of jobs in competitive range)
  - Law Enforcement & Regulatory Services (75% of jobs in competitive range)
- Due to below-market incentive opportunities, variance to market total cash is greater (more negative)

### Summary statistics



# Benchmarking Results

## Outliers and notable jobs

- **BB40** Research & Planning Administrator is the job with the lowest base salary compared to market median (-56% variance)
- High-level Law Enforcement Officers (classes V to VII) fell slightly above (between 0-10%) the market median
- **AI30** Executive Assistant III is the job with the highest base salary compared to market median (51% variance)
- Eight jobs had insufficient data across all 9 surveys and are thus were no longer part of the benchmark job list:
  - **AL01**: Business Consultant
  - **CB65, CB70, and CB75**: Student Services suite
  - **HD98**: Bridge Inspection Supervisor
  - **JA25**: Investigator V
  - **KD20 and KD30**: Pilot and Chief Pilot

# Benchmarking Results

## Market positioning summary by function

Function	Job Count	% of Benchmark Jobs	Average Variance to Base Median	-20% or more	-10% to -20%	0% to -10%	0% to 10%	10% to 20%	20% or more
Administration	116	29%	-17%	52%	23%	9%	10%	3%	2%
Agriculture & Natural Resources	27	7%	-21%	44%	15%	26%	7%	0%	0%
Education	23	6%	-15%	30%	35%	13%	9%	0%	0%
Health Services	50	13%	-12%	28%	20%	24%	24%	4%	0%
Human Services	29	7%	-12%	17%	45%	21%	10%	3%	3%
Information Services	34	9%	-21%	53%	29%	6%	9%	0%	0%
Law Enforcement & Regulatory Services	44	11%	-9%	23%	23%	25%	23%	5%	0%
Technical Services	34	9%	-13%	38%	26%	18%	3%	6%	6%
Trade Services	39	10%	-15%	38%	26%	23%	3%	5%	0%
				<b>39%</b>	<b>26%</b>	<b>17%</b>	<b>12%</b>	<b>3%</b>	<b>1%</b>

- The following functions had the majority of their benchmark jobs falling significantly below (<-20%) market median:
  - Administration (52%)
  - Information Services (53%)
- The three functions with the highest proportion of benchmark jobs within competitive range of market median (+/-20%) are:
  - Health Services (72% of jobs in competitive range)
  - Human Services (79% of jobs in competitive range)
  - Law Enforcement & Regulatory Services (75% of jobs in competitive range)
- Health Services (28%) and Law Enforcement & Regulatory Services (28%) have the highest proportion of jobs above market median, reflecting the effectiveness of recent DSHR compensation studies

# Benchmarking Results

## Market variance analysis by functional area

**25<sup>th</sup>**

The State aligns most closely to the **25<sup>th</sup>** percentile of the market for base salary

**<25<sup>th</sup>**

The State falls below the **25<sup>th</sup>** percentile of the market for total cash compensation

**35<sup>th</sup>**

The State falls **between** the **25<sup>th</sup>** and **50<sup>th</sup>** percentiles of the market for total remuneration

Function	#EE	Base Salary Variance to Market			Total Cash Compensation Variance to Market			Total Remuneration Variance to Market		
		25th	50th	75th	25th	50th	75th	25th	50th	75th
Administration	12613	-4%	-17%	-31%	-9%	-22%	-33%	0%	-16%	-23%
Agriculture & Natural Resources	532	-5%	-21%	-38%	-12%	-23%	-37%	-1%	-15%	-31%
Education	366	1%	-15%	-32%	-2%	-19%	-31%	2%	-11%	-24%
Health Services	2099	2%	-12%	-26%	-3%	-15%	-27%	2%	-9%	-20%
Human Services	5372	5%	-11%	-28%	-2%	-17%	-30%	3%	-9%	-23%
Information Services	613	-9%	-21%	-35%	-12%	-25%	-36%	-6%	-17%	-28%
Law Enforcement & Regulatory Services	6178	7%	-10%	-28%	2%	-12%	-26%	84%	-6%	59%
Technical Services	1293	0%	-13%	-30%	-7%	-17%	-31%	15%	-12%	-8%
Trade Services	2569	-5%	-15%	-32%	-12%	-21%	-34%	45%	-13%	25%
<b>Overall Average</b>		<b>-2%</b>	<b>-15%</b>	<b>-31%</b>	<b>-7%</b>	<b>-19%</b>	<b>-32%</b>	<b>15%</b>	<b>-13%</b>	<b>-8%</b>

# Benchmarking Results

## Benefits programs

- As part of the broader study, Mercer benchmarked The State's benefit programs against two market references using organizations from our *Benefits Benchmarking Database*:
  - **Public Sector**: 11 surrounding states
  - **Private Sector**: 46 general industry companies located in South Carolina, North Carolina, Tennessee, or Georgia
- We assessed The State's benefits through two perspectives:
  - **Qualitative**: prevalence and plan designs of individual benefit programs, including:
    - Retirement
    - Retiree medical
    - Health (Medical/Dental/Vision)
    - Life and Disability Insurance
    - Paid Leave
  - **Quantitative**: calculated the annualized value of employer-paid benefits for each benchmark job and added to total cash compensation to assess total remuneration
    - Values include actual State pay data and employee demographics for each benchmark job
    - Total remuneration values reflect a 50/50 blend of private and public sector data (consistent with the cash compensation analysis)
    - Paid leave benefits are excluded total remuneration values and assessed on a "total days off" basis

### **Notes**

- 1) *This assessment reflects active employer-provided benefits (i.e., legacy benefits provided to a closed group of employees are not included)*
- 2) *Assumes employees participate in the primary plans offered and take full advantage of the maximum employer-paid benefit provisions (e.g., employer match in a defined contribution retirement plan), even if they are voluntary*

# Benchmarking Results

## Benefits programs

- **Two-thirds** (66%) of The State's jobs are more than 10% below the median for base pay
- While benefits increase positioning, **more than half** of The State's jobs (58%) still remain more than 10% below the median for total remuneration
- **Less than 10%** of jobs are positioned more than 10% above the median

Variance to Median	Percent of Jobs		
	Base Pay	Total Cash	Total Rem
-20% or more	40%	52%	31%
-10% to -20%	26%	21%	27%
0% to -10%	17%	18%	25%
0% to 10%	11%	8%	15%
10% to 20%	4%	1%	3%
20% or more	1%	1%	0%

**Phase III:  
Pay Structure  
Development, Costing  
and Policy Review**

**5**

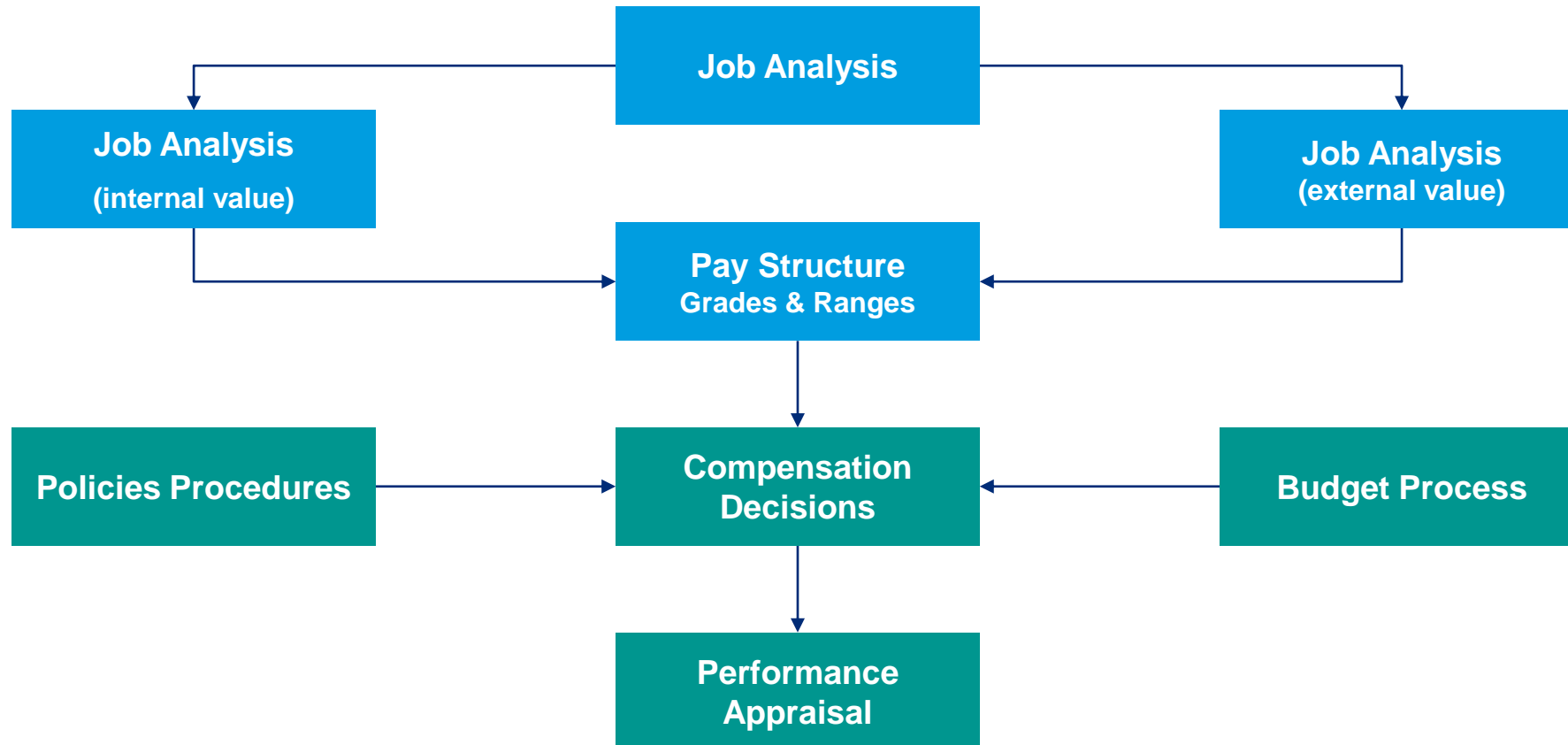
# Pay Structure Analysis

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# Pay Structure Analysis

Pay structures and pay administration process inputs and outputs



# Pay Structure Analysis

## Prevalent model considerations and initial recommendations

Range design	Narrow grades 	Wide grades 	Broad bands
<b>Description</b>	Many narrow pay grades	Fewer, broader grades	A few very wide pay bands used to manage both career growth and pay
<b>Works best when...</b>	Focus is on hierarchy and job expectations, with well-defined, discrete jobs	Focus is on role and contribution with broader, more flexible roles	Focus is on competency-based roles and the organization needs flexibility to respond to market
<b>Key issues include...</b>	Ensuring that narrow grades do not result in artificial title inflation or grade inflation	Providing managers with guidelines that are flexible but provide control	Ensuring managers have the market data, tools, and discipline to manage pay
<b>Business case</b>	Type of environment/industry; Managers need more guidance in pay decisions	Career-based job evaluation is used; Managers are more pay "savvy"	Organization flexibility critical to success
<b>Role of the manager</b>	Administer guidelines	Manage pay and career development	

# Pay Structure Analysis

## Current structure review

At the **top of the structure**, current design is **aligned with Mercer recommendations**

Current range spread design is uniform, however it is **typical to mirror the time in role with the width of the range** for optimal salary administration.

**Mercer recommends** a smaller range spread at the bottom of the structure compared to the higher bands.

Band	Minimum	Midpoint	Maximum	Midpoint Progression	Range Spread	Overlap	Job Count
BAND 10	\$99,030	\$141,124	\$183,219	22%	85%	61%	12
BAND 09	\$81,388	\$115,986	\$150,585	22%	85%	61%	25
BAND 08	\$66,892	\$95,327	\$123,763	22%	85%	61%	43
BAND 07	\$54,974	\$78,343	\$101,712	21%	85%	63%	74
BAND 06	\$45,530	\$64,885	\$84,241	20%	85%	63%	100
BAND 05	\$37,860	\$53,957	\$70,054	20%	85%	64%	106
BAND 04	\$31,561	\$44,977	\$58,393	20%	85%	64%	77
BAND 03	\$26,385	\$37,605	\$48,826	19%	85%	65%	41
BAND 02	\$22,128	\$31,537	\$40,946	29%	85%	61%	16
BAND 01	\$15,080	\$24,360	\$33,640		123%		6

Band 01 is **only used for 6 jobs** despite having 123% range spread.

**Mercer recommends** using a consistent design approach, even if it results in empty bands – having more differentiated bands would also disperse jobs currently overloading bands 04 – 07.

Current midpoint progression design is nearly uniform, but it is **typical to adjust the midpoint progressions to the complexity and size of jobs found in the band**. Therefore, lower bands typically have smaller progressions vs. higher bands.

Across **all levels of the structure**, current **overlap** between adjacent grades is **aligned with Mercer recommendations**.

**Mercer recommends** a smaller progression at the bottom of the structure compared to the higher bands.

# Pay Structure Analysis

Separate structures for specific classification groups

## General



- Includes a wide range of roles such as administrative and clerical roles, finance, budget, HR, insurance, and communications roles

## Certified Law Enforcement



- Includes law enforcement officers, probation and parole officers, criminal justice instructors, and wardens

## Clinical



- Includes healthcare administrators and educators, nutritionists, and patient care roles
- Excluding human services and psychiatry

## Technology



- Includes all roles in the IT organization (AM## job classes)
- No differentiation between “hot jobs” and administrative IT classes

*Based on the above groups, Mercer tagged each role into one of the above structures, then used corresponding market data to guide the development of the ranges for each group.*

# Pay Structure Analysis

## Current structures to proposed structures: General

Current Band	# of Jobs	Proposed Structure														Total	
		GEN01	GEN02	GEN03	GEN04	GEN05	GEN06	GEN07	GEN08	GEN09	GEN10	GEN11	GEN12	GEN13	GEN14		GEN15
		2	10	6	18	18	44	52	65	63	48	30	19	11	7	1	
BAND 10	7														6	1	7
BAND 09	12											2	9	1			12
BAND 08	24									2	6	14	2				24
BAND 07	55								6	24	22	3					55
BAND 06	81						2	13	43	21	2						81
BAND 05	89					5	20	49	14	1							89
BAND 04	68				3	5	30	27	3								68
BAND 03	37		1	3	10	11	9	3									37
BAND 02	15		6	3	4	2											15
BAND 01	6	2	3		1												6
<b>Total</b>	<b>394</b>																

# Pay Structure Analysis

## Current structures to proposed structures: Technology

		Proposed Structure										
		TEC01	TEC02	TEC03	TEC04	TEC05	TEC06	TEC07	TEC08	TEC09	TEC10	
Current Band	# of Jobs	1	1	4	8	5	9	7	4	2	1	Total
BAND 10	2									1	1	2
BAND 09	10							1	3	1		5
BAND 08	16						2	5	1			8
BAND 07	18					3	5	1				9
BAND 06	18				6	2	1					9
BAND 05	12			3	2		1					6
BAND 04	4		1	1								2
BAND 03	2	1										1
BAND 02	0											0
BAND 01	0											0
<b>Total</b>	<b>82</b>											

# Pay Structure Analysis

## Current structures to proposed structures: Clinical

Current Band	# of Jobs	Proposed Structure														Total
		CLN01	CLN02	CLN03	CLN04	CLN05	CLN06	CLN07	CLN08	CLN09	CLN10	CLN11	CLN12	CLN13	CLN14	
		0	2	3	2	1	4	6	7	4	6	5	4	4	1	
BAND 10	6													2	1	3
BAND 09	16											2	4	2		8
BAND 08	14									4	3					7
BAND 07	14							2	3	2						7
BAND 06	16					1	2	4	1							8
BAND 05	14				1	1	1	3	1							7
BAND 04	12		1	1	1		2	1								6
BAND 03	4			2												2
BAND 02	2		1													1
BAND 01	0															0
<b>Total</b>	<b>98</b>															

# Pay Structure Analysis

## Current structures to proposed structures: Certified Law Enforcement

Current Band	# of Jobs	Proposed Structure										Total	
		LAW01	LAW02	LAW03	LAW04	LAW05	LAW06	LAW07	LAW08	LAW09	LAW10		LAW11
		1	0	4	3	0	5	2	4	2	1	1	
BAND 10	2											1	1
BAND 09	2									1			1
BAND 08	10							3	2				5
BAND 07	10						2	2	1				5
BAND 06	10				2		3						5
BAND 05	8			3	1								4
BAND 04	4	1		1									2
BAND 03	0												0
BAND 02	0												0
BAND 01	0												0
<b>Total</b>	<b>46</b>												



# Pay Structure Analysis

## Proposed General structure

Special grade for unique roles and agency leadership

Grade	Minimum	Midpoint	Maximum	Range Spread	Midpoint Progression	Overlap
16	\$159,400	\$231,200	\$302,900	90%	20%	65%
15	\$132,900	\$192,700	\$252,500	90%	20%	65%
14	\$110,800	\$160,600	\$210,500	90%	20%	65%
13	\$92,300	\$133,800	\$175,400	90%	20%	61%
12	\$79,600	\$111,500	\$143,300	80%	20%	63%
11	\$66,400	\$92,900	\$119,500	80%	15%	71%
10	\$57,700	\$80,800	\$103,900	80%	15%	67%
09	\$52,100	\$70,300	\$88,600	70%	15%	68%
08	\$45,300	\$61,100	\$77,000	70%	15%	68%
07	\$39,300	\$53,100	\$66,800	70%	10%	73%
06	\$37,200	\$48,300	\$59,500	60%	10%	76%
05	\$33,800	\$43,900	\$54,100	60%	10%	75%
04	\$30,700	\$39,900	\$49,100	60%	10%	70%
03	\$29,000	\$36,300	\$43,500	50%	10%	73%
02	\$26,400	\$33,000	\$39,600	50%	10%	73%
01	\$24,000	\$30,000	\$36,000	50%	--	--

# Pay Structure Analysis

## Proposed Technology structure

Grade	Minimum	Midpoint	Maximum	Range Spread	Midpoint Progression	Overlap
10	\$132,900	\$192,700	\$252,500	90%	20%	65%
09	\$110,800	\$160,600	\$210,500	90%	20%	65%
08	\$92,300	\$133,800	\$175,400	90%	20%	61%
07	\$79,600	\$111,500	\$143,300	80%	20%	63%
06	\$66,400	\$92,900	\$119,500	80%	15%	71%
05	\$57,700	\$80,800	\$103,900	80%	15%	67%
04	\$52,100	\$70,300	\$88,600	70%	15%	68%
03	\$45,300	\$61,100	\$77,000	70%	15%	68%
02	\$39,300	\$53,100	\$66,800	70%	10%	73%
01	\$37,200	\$48,300	\$59,500	60%	--	--

# Pay Structure Analysis

## Proposed Clinical structure

Grade	Minimum	Midpoint	Maximum	Range Spread	Midpoint Progression	Overlap
14	\$129,200	\$187,300	\$245,500	90%	20%	65%
13	\$107,700	\$156,100	\$204,600	90%	20%	61%
12	\$92,900	\$130,100	\$167,200	80%	20%	62%
11	\$77,400	\$108,400	\$139,300	80%	15%	71%
10	\$67,400	\$94,300	\$121,300	80%	15%	66%
09	\$60,700	\$82,000	\$103,200	70%	15%	68%
08	\$52,800	\$71,300	\$89,800	70%	15%	68%
07	\$45,900	\$62,000	\$78,000	70%	10%	73%
06	\$43,400	\$56,400	\$69,400	60%	10%	76%
05	\$39,500	\$51,300	\$63,200	60%	10%	75%
04	\$35,800	\$46,600	\$57,300	60%	10%	70%
03	\$33,900	\$42,400	\$50,900	50%	10%	72%
02	\$30,800	\$38,500	\$46,200	50%	10%	73%
01	\$28,000	\$35,000	\$42,000	50%	--	--

# Pay Structure Analysis

## Proposed Certified Law Enforcement structure

Grade	Minimum	Midpoint	Maximum	Range Spread	Midpoint Progression	Overlap
11	\$124,300	\$146,100	\$167,800	35%	15%	50%
10	\$108,100	\$127,000	\$145,900	35%	15%	50%
09	\$94,000	\$110,400	\$126,900	35%	15%	50%
08	\$81,700	\$96,000	\$110,300	35%	15%	50%
07	\$71,100	\$83,500	\$96,000	35%	15%	49%
06	\$61,800	\$72,600	\$83,400	35%	10%	54%
05	\$58,700	\$66,000	\$73,400	25%	10%	54%
04	\$53,300	\$60,000	\$66,600	25%	10%	54%
03	\$48,400	\$54,500	\$60,500	25%	10%	55%
02	\$44,000	\$49,500	\$55,000	25%	10%	55%
01	\$40,000	\$45,000	\$50,000	25%	--	--

# Costing Scenario Design



# Costing Scenario Design

## Design process overview

### Based on Structure

- Because of variations in the design attributes for the four pay structures, the costing scenarios were differentiated into **two groups**: non-Certified Law Enforcement (non-CLE) and Certified Law Enforcement (CLE)
- The **non-CLE pay structures** include the General, Technology and Clinical structures
- The **CLE pay structure** includes only the Certified Law Enforcement structure

### Tenure Bucket Design

- Mercer provided two design options for tenure buckets:
  - 3-year buckets
  - Variable bucket sizes, representing different career stages at The State
- **The State chose to use the 3-Year Tenure Buckets**

### Compa-Ratio Targets

- Mercer provided two options for setting compa-ratio targets:
  - **Option 1 is more concentrated** and fits most employees below the salary grade midpoint (100% compa-ratio)
  - **Option 2** utilizes the full range width as compa-ratio targets (from minimum to maximum), and will cost more as a result
- **The State chose to use Option 2** (full range width as targets)

# Costing Scenario Design

## Non-CLE and CLE costing scenario distribution

### Non-CLE Structures

Tenure <sup>1</sup>	Target compa-ratio	# of EEs <sup>2</sup>	% of EEs <sup>2</sup>
Less than four years	80%	10180	34%
4 - 7 years	85%	5343	18%
7 - 10 years	90%	3411	11%
10 - 13 years	95%	2014	7%
13 - 16 years	100%	1365	5%
16 - 19 years	105%	1935	6%
19 - 22 years	110%	1117	4%
22 - 25 years	115%	1264	4%
25 years or more	120%	3315	11%
<b>Totals</b>		<b>29944</b>	<b>100%</b>

### CLE Structure

Tenure <sup>1</sup>	Target compa-ratio	# of EEs <sup>2</sup>	% of EEs <sup>2</sup>
Less than four years	89%	1738	35%
4 - 7 years	92%	833	17%
7 - 10 years	95%	564	11%
10 - 13 years	98%	429	9%
13 - 16 years	101%	264	5%
16 - 19 years	104%	414	8%
19 - 22 years	107%	164	3%
22 - 25 years	110%	200	4%
25 years or more	111%	396	8%
<b>Totals</b>		<b>5002</b>	<b>100%</b>

- In both structures, roughly one-third of employees fall in the lowest tenure grouping (<4 years)
- Given the narrower nature of the CLE structure, the target compa-ratios begin at a higher % and top out at a lower % than the Non-CLE structures
- For the Non-CLE structures, the 80% - 120% range is wide enough to include the minimums and maximums for all grades in the remaining three structures (General, Clinical, Technology)

<sup>1</sup>calculated using State hire date

<sup>2</sup>includes only EEs that are being slotted to a new structure

# Cost Summary





# Cost Summary

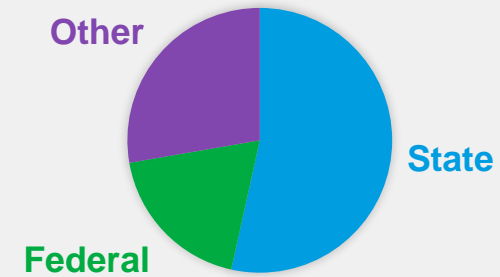
## Cost by funding source and structure

The State's payroll is funded from three sources:

1. State – funds **54%** of payroll
2. Federal – funds **19%** of payroll
3. Other – funds **28%** of payroll

The table below shows the total cost of Mercer's proposed implementation scenario, as well as the cost breakdown for these three sources.

### FUNDING SOURCE



Pay Structure	Job Count	EE Count	Total Cost	State Cost	Federal Cost	Other Cost	
General	398	26,941	\$176,306,324	\$82,010,590	\$39,884,541	\$54,411,193	
Technology	42	1,203	\$15,278,510	\$8,180,993	\$2,443,943	\$4,653,575	
Clinical	54	1,880	\$8,436,208	\$4,177,480	\$3,027,317	\$1,231,411	
Certified Law Enforcement	23	5,006	\$10,600,135	\$9,578,453	\$172,528	\$849,154	
<b>Overall Total</b>	<b>517</b>	<b>35,030</b>	<b>\$210,621,178</b>	<b>\$103,947,516</b>	<b>\$45,528,329</b>	<b>\$61,145,333</b>	
<i>% of Payroll (by funding source)</i>				10.2%	9.3%	11.8%	10.7%

# Cost Summary

## Cost by grade: General

Grade	# EE	Cost to Min	Cost to Target Compa-Ratio
GEN15	20	\$471	\$818,137
GEN14	85	\$1,454	\$2,432,738
GEN13	345	\$58,569	\$6,171,662
GEN12	1,200	\$196,205	\$17,242,308
GEN11	1,738	\$939,128	\$25,632,763
GEN10	1,611	\$535,322	\$15,871,735
GEN09	3,959	\$2,477,881	\$34,795,999
GEN08	5,044	\$3,712,100	\$32,382,421
GEN07	4,234	\$951,938	\$11,777,907
GEN06	3,969	\$2,626,617	\$16,449,900
GEN05	1,633	\$495,407	\$5,276,707
GEN04	2,312	\$571,769	\$6,239,195
GEN03	441	\$131,782	\$701,312
GEN02	343	\$153,322	\$497,534
GEN01	5	\$6,005	\$16,005
<b>Total</b>	<b>26,939</b>	<b>\$12,857,970</b>	<b>\$176,306,324</b>

# Cost Summary

## Cost by grade: Technology

Grade	# EE	Cost to Min	Cost to Target Compa-Ratio
TEC10	16	\$41,564	\$953,480
TEC09	26	\$12,653	\$964,908
TEC08	62	\$6,130	\$1,958,511
TEC07	137	\$131,069	\$2,869,978
TEC06	205	\$102,019	\$2,751,097
TEC05	153	\$183,337	\$1,411,462
TEC04	379	\$305,836	\$2,740,673
TEC03	174	\$203,554	\$1,199,432
TEC02	49	\$71,289	\$403,510
TEC01	2	\$12,919	\$25,459
<b>Total</b>	<b>1,203</b>	<b>\$1,070,370</b>	<b>\$15,278,510</b>

# Cost Summary

## Cost by grade: Clinical

Grade	# EE	Cost to Min	Cost to Target Compa-Ratio
CLN14	1	\$3,125	\$70,590
CLN13	46	\$1,878	\$896,853
CLN12	161	\$21,439	\$1,529,655
CLN11	141	\$0	\$958,438
CLN10	93	\$0	\$516,863
CLN09	249	\$31,151	\$752,469
CLN08	458	\$236,718	\$1,121,229
CLN07	164	\$708,925	\$1,629,117
CLN06	81	\$14,602	\$175,746
CLN05	9	\$0	\$4,480
CLN04	73	\$15,983	\$114,340
CLN03	104	\$15,843	\$315,293
CLN02	300	\$5,926	\$351,135
CLN01	0	\$0	\$0
<b>Total</b>	<b>1,880</b>	<b>\$1,055,590</b>	<b>\$8,436,208</b>

# Cost Summary

## Cost by grade: Certified Law Enforcement

Grade	# EE	Cost to Min	Cost to Target Compa-Ratio
LAW11	5	\$0	\$132,444
LAW10	48	\$1,356	\$993,152
LAW09	58	\$63,243	\$728,658
LAW08	156	\$19,579	\$836,434
LAW07	477	\$2,142	\$1,732,381
LAW06	949	\$98,846	\$3,101,968
LAW05	0	\$0	\$0
LAW04	700	\$149,101	\$483,486
LAW03	1,318	\$41,442	\$1,921,206
LAW02	0	\$0	\$0
LAW01	1,295	\$1,720	\$670,406
<b>Total</b>	<b>5,006</b>	<b>\$377,429</b>	<b>\$10,600,135</b>

# **Policies and Practices Review**

**od**

# Policies and Practices Review

## Overview

- Mercer performed a comparison of The State's pay programs to market practices from Mercer's Total Remuneration Surveys
- This report includes the following:
  - Summary of current practice
  - Market best practices for each program element
  - Comparison to market practice and potential recommendations for further alignment
    - Each element is compared to the market individually to create an aggregate quantitative and qualitative assessment of program alignment. The comparison is indicated using the following scale:

- **Competitive:** When comparing The State's policies to market, The State was aligned to best practice
- **Fairly Competitive:** When comparing The State's policies to market, The State was aligned to or slightly below best practice
- **Needs Attention:** When comparing The State's policies to market, The State was below market (or the policy did not exist)

- The assessment is split into three areas, with key elements summarized below:

### 1. Core Elements

- Compensation philosophy and strategy
- Compensation governance
- Job architecture governance

### 2. Programs

- Market pricing methodology
- Base salary structure
- Incentive opportunities
- Performance management

### 3. Processes

- Salary administration
- Promotions / annual increases
- Starting pay levels

# Policies and Practices Review

## Key themes and considerations

### Core Elements



**Conduct more frequent compensation assessments** to understand market competitiveness for targeted groups, and for all classifications, and regularly **compare compensation programs** with industry best practices.



**Conduct a comprehensive pay equity study** with accurate and reliable data inputs to identify potential pay disparities based on gender, race, or other protected characteristics. Take proactive steps to address any identified inequities and **ensure equal pay for equal work**.



**Create broad guidelines for budget planning** that consider factors such as **performance, potential, and market conditions** when determining the allocation of annual budgets. State Agencies can use these guidelines to **standardize** the legislative increase process **without imposed centralization**.



Develop a more **formal job architecture statewide** that goes **beyond pay bands** and incorporates factors such as **job families, levels, and career paths**.



Update current **business titles** and utilize them to reflect the unique roles and responsibilities within your organization as a **supplement to the existing system titles**.



# Policies and Practices Review

## Key themes and considerations

### Programs



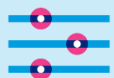
Develop guidelines for a **consistent geographic pay strategy** by considering factors such as cost of living, talent market competitiveness, and business requirements in specific cities across South Carolina.



Develop a more defined **spot bonus program** with specific criteria and the flexibility to be adapted to agencies' needs – this way, the bonus becomes a more meaningful part of total pay and recognizes employee achievements across agencies.



Consider implementing a **longevity pay program** with clear eligibility criteria that will provide agencies with a customizable approach to recognizing and rewarding employees for their **long-term commitment** to The State.



Implement a **market-aligned base salary structure** that enables **career development opportunities** for employees, improves **pay administration** processes and **enables market-aligned pay** year-over-year.



Develop a robust **performance management system** and **provide resources** for managers and employees to understand and utilize it effectively.

# Policies and Practices Review

## Key themes and considerations

### Processes



Outline **red circle pay actions**, clearly defining and documenting the criteria and process for implementing these actions. Identify and document **situations where employees may be paid above the established salary range** due to exceptional circumstances or market conditions.



Identify **reputable compensation surveys or data sources** that provide accurate and up-to-date market information to **determine The State's annual increase budgets**.



Continue using a **well-defined process for entry pay and promotional increases** but consider discontinuing promotions up to the next grade's midpoint.



Streamline processes for approving new hire pay above the minimum and large promotional increases – **may require additional education and communication between State Admin and other agencies**

# Policies and Practices Review

## Scorecard

- Competitive
- Fairly Competitive
- Needs Attention

### Core Elements

Compensation Philosophy and Strategy	<span style="color: green;">■</span>
Compensation Assessment Frequency	<span style="color: pink;">■</span>
Pay Equity	<span style="color: pink;">■</span>
Compensation Budget Planning	<span style="color: yellow;">■</span>
Grade / Level Structure	<span style="color: pink;">■</span>
Job Titles	<span style="color: yellow;">■</span>

### Programs

Market Pricing Methodology	<span style="color: green;">■</span>
Salary Structure Methodology	<span style="color: green;">■</span>
Structures by Job Area	<span style="color: green;">■</span>
Geographic / Market Differential Pay	<span style="color: yellow;">■</span>
Range Width	<span style="color: green;">■</span>
Midpoint Differentials	<span style="color: green;">■</span>
Structure Maintenance	<span style="color: green;">■</span>
Spot Bonus Program	<span style="color: yellow;">■</span>
Longevity Pay	<span style="color: yellow;">■</span>
Critical Employee Incentives	<span style="color: green;">■</span>
Performance Management	<span style="color: pink;">■</span>

### Processes

Salary Administration	<span style="color: yellow;">■</span>
Promotions	<span style="color: green;">■</span>
Annual / Legislative Increases	<span style="color: yellow;">■</span>
Starting Pay / New Hires	<span style="color: green;">■</span>

# Next Steps

# 6

# Next Steps

## “How do I maintain a market-based salary structure over time?”

- Although the policies and practices used may vary slightly depending on organization, the guidelines shown below are typically incorporated into any approach for **maintaining** and **adjusting a market-based salary structure over time**
  - **Annual review** (as illustrated below) is common for new and rapidly growing jobs and talent markets
  - **Bi-annual** (or more infrequent) **review** is sometimes used in stable and mature jobs and talent markets
- For future reviews, The State should consider engaging Mercer or purchasing a system that will enable market pricing refreshes, such as MarketPay

YEAR 0	YEAR 1	YEAR 2	YEAR 3
<ul style="list-style-type: none"><li>• Adjust pay ranges and target positions according to the results of the comprehensive market pricing assessment</li><li>• Use market pricing data to determine how to modify an existing structure or create a new structure</li></ul>	<ul style="list-style-type: none"><li>• Adjust pay range midpoints according to market movement trends or based on the results of market research for a benchmark sample, if necessary<ul style="list-style-type: none"><li>• Mercer’s annual <i>US Compensation Planning Survey</i> provides a reliable source of trend data</li></ul></li></ul>	<ul style="list-style-type: none"><li>• Adjust pay ranges according to trends identified based on updated market research for a sample of benchmark jobs across various job families and levels (more abbreviated than a comprehensive market pricing assessment)</li></ul>	<ul style="list-style-type: none"><li>• Conduct comprehensive market assessment and update pay ranges based on revised market data</li></ul>

# Appendix A: Detailed Interview Themes



# Detailed Interview Themes

## Key Theme – Lack of Agency Cohesion



TOPIC	WHAT WE HEARD	KEY TAKEAWAYS
<b>Competition for Talent</b>	<p><b>Which organizations do you lose talent to, and which organizations do you recruit talent from?</b></p> <ul style="list-style-type: none"> <li>Agencies commonly <b>recruit talent from each other's pool of employees</b>, especially for jobs found in multiple agencies such as administrative, technical, and skilled trade job disciplines.</li> <li>Employees will look at the pay rates of similar roles <b>in other agencies</b>, seeking opportunities for increased compensation.</li> <li><b>Private companies</b> have continued to attract more talent with higher compensation, leaving state agencies to compete over the <b>limited talent</b> left in the pool.</li> <li>Some leaders expressed interest in implementing a system or program that could permit agencies to <b>“borrow” talent from each other</b>, when needed, helping both agencies compromise to get work done.</li> </ul>	<p><b>Agencies often compete against one another for resources, poach each other's best talent, and have difficulty overcoming competition from the private sector.</b></p>
<b>Operational Inefficiency</b>	<p><b>What is the relationship between different agencies when solving shared challenges?</b></p> <ul style="list-style-type: none"> <li>Each agency is <b>expending resources independently</b> to achieve similar goals, such as advertising job opportunities to external applicants, collecting exit interview data, or resolving retention issues.               <ul style="list-style-type: none"> <li>Each agency has different messaging and approaches to recruitment. This could be <b>consolidated</b> across the state to save time, resources, and increase cohesion.</li> </ul> </li> <li>There is a desire for <b>increased communication and collaboration</b> across agency heads through standardized forum-based meetings or messaging platforms.               <ul style="list-style-type: none"> <li>Currently, there are <b>few opportunities for leaders to meet and freely discuss</b> pressing issues and solutions.</li> </ul> </li> <li>Some agency leaders voiced concerns over the state government <b>focusing too much on bringing business into the state</b>, rather than supporting the agencies.</li> </ul>	<p><b>There is a lack of collaboration to achieve shared goals efficiently; leaders feel siloed in their respective agencies rather than working together as one unified group.</b></p>

# Detailed Interview Themes

## Key Theme – Difficulty Attracting and Retaining



TOPIC	WHAT WE HEARD	KEY TAKEAWAYS
Talent Attraction	<p><b>What are the obstacles you face when recruiting for an adequate <u>quantity</u> and <u>quality</u> of talent?</b></p> <ul style="list-style-type: none"> <li>Historically, state <b>benefits</b> (retirement, health insurance) have been a key factor for recruiting employees, but private sector benefits have caught up or are catching up. Consequently, the <b>retirement and benefits plan offered by The State are not as strong</b> in attracting today's candidates.</li> <li><b>Compensation</b> has <b>continued to lag</b> that of private sector, with some job classes facing particularly steep competition.</li> <li>When recruiting, <b>each agency engages in their own campaign</b> of marketing, targeting talent pools both internal and external to government.             <ul style="list-style-type: none"> <li>Agencies <b>do not have the tools and resources necessary</b> to effectively recruit from the diminished talent pool due to <b>strict guidelines and approval processes</b>.</li> </ul> </li> <li>There appears to be a <b>negative perception</b> of government and government work among today's candidates due to media portrayal and high competition from the private sector.</li> </ul>	<p><b>Without above-market benefits, agencies are struggling to remedy the increasing compensation gap compared to the private sector.</b></p>
Talent Retention	<p><b>Why do employees <u>continue</u> working at The State?</b></p> <ul style="list-style-type: none"> <li><b>The mission</b> – employees believe in serving the people who reside in the state.</li> <li><b>The culture</b> – certain agencies have established a strong culture of support, stability, and success.</li> <li><b>Retirement benefits</b> – employees who have worked in state government for many years don't want to risk losing their full pension.</li> </ul> <p><b>Why do employees <u>leave</u> their agency or The State?</b></p> <ul style="list-style-type: none"> <li><b>Opportunities for higher compensation elsewhere</b> – either in another agency or the private sector.             <ul style="list-style-type: none"> <li>Agencies are able to offer as much as a <b>15% salary increase</b> when recruiting employees from another agency. Apparently, state employees can take advantage of this many times by switching agencies often, resulting in a workforce with high turnover.</li> </ul> </li> <li><b>Perceived lack of clear career pathing &amp; growth opportunities</b> – unclear routes for professional development, as well as compensation progression.</li> <li>Greater responsibility/impact after <b>gaining work experience and/or certifications</b>.</li> </ul>	<p><b>Once inside The State, employees are fueled by the mission and culture; however, a lack of clarity around career growth and opportunities for greater compensation create retention risks.</b></p>



# Detailed Interview Themes

## Key Theme – Broad Compensation Structure



TOPIC	WHAT WE HEARD	KEY TAKEAWAYS
Salary Bands	<p><b>What is / is not working with the current compensation structure/pay plan?</b></p> <ul style="list-style-type: none"> <li>Reducing the number of salary grades has been an improvement from the previous structure which was administratively burdensome; however, having <b>fewer, broader bands</b> has created a lack of compensation progression.</li> <li>Interviewees <b>feel restricted</b> when trying to reward high performers and struggle to stay competitive on pay with the current band maximums.               <ul style="list-style-type: none"> <li>Leaders aren't left with any tools to reward their employees due to the <b>marginal bonus amount, salary band width, and lengthy approval process</b> to promote/reclassify employees.</li> </ul> </li> <li>Agencies <b>struggle to communicate career growth opportunities</b> due to the wide salary bands.</li> <li>Leaders expressed a desire for the compensation structure to be <b>assessed on an annual basis</b> in order to maintain competitiveness to the market.</li> <li>Some interviewees posed an idea to <b>reward employee's tenure</b> at The State, to provide more frequent increases within the pay plan.</li> <li>One interviewee requested <b>career pathing</b> to be implemented into the new salary structure, rather than a focus on banding alone.</li> </ul>	<p><b>The broad salary bands present obstacles to administering compensation progression for employees, such as compression, inability to differentiate top performers, and career/pay growth opportunities.</b></p>
Bonus Potential	<p><b>What is / is not working with the bonus policy/guidelines/opportunities?</b></p> <ul style="list-style-type: none"> <li><b>Many different bonus types were described</b>, including spot bonuses, referral bonuses, sign-on bonuses, retention bonuses, sales incentive, and an annual performance bonus.               <ul style="list-style-type: none"> <li>The potential to earn these different bonus types <b>varies widely</b> from one agency to the next, and in many cases requires approval. These bonuses were noted to be <b>especially impactful for employees with smaller salaries</b>.</li> <li>Agency leadership requested <b>greater access to all bonus types</b> to flexibly reward their employees.</li> </ul> </li> <li>The \$3,000 performance bonus decreases in relative value for employees with greater wages, resulting in <b>below-market bonus opportunity in higher salary bands</b>.</li> <li>When an employee's salary reaches \$100,000, they are often <b>deemed ineligible for a bonus</b>, hindering total compensation.               <ul style="list-style-type: none"> <li><b>Manager education is needed</b> to ensure an understanding of the bonus opportunities and policies.</li> </ul> </li> </ul>	<p><b>Bonus opportunity at The State is insufficient at higher career levels and has limited flexibility to reward those who are most deserving.</b></p>

# Detailed Interview Themes

## Key Theme – Rigid Compensation Administration



TOPIC	WHAT WE HEARD	KEY TAKEAWAYS
Flexibility	<p><b>What is / is not working with compensation administration policies and practices?</b></p> <ul style="list-style-type: none"> <li>HR leaders desire <b>increased flexibility</b> in order to <b>reward their employees in ways unique to their agency</b>, and they view current regulations as <b>rigid and impractical</b>.</li> <li>Specific agencies requested a more customizable administration approach, with <b>resources allocated based on evaluating each agency’s needs, size, and scope</b>. <ul style="list-style-type: none"> <li>Smaller agencies expressed <b>frustration with larger agencies</b> that are perceived as receiving preferential treatment because of their size, such that the smaller agencies lack the resources to compensate with flexibility.</li> </ul> </li> <li>Agency leadership felt that regulations put in place were <b>antiquated and laborious</b>. “Loopholes” are being utilized to reward talent and go around guidelines, such as giving retention increases instead of annual salary increases.</li> <li>Certain agencies view the time for various procedures to be approved or processed as <b>excessively long</b>, such as the time until a new hire receives their first paycheck.</li> <li>Leadership believed that oftentimes <b>their hands were tied</b> and that they were <b>subject to certain policies which don’t work</b>.</li> <li>Agencies note that the <b>limit of 15% to increase salaries</b> without approval is <b>too low</b>, especially when trying to reward employees with smaller salaries.</li> </ul>	<p><b>Agency leadership views compensation administration as laborious and uncompromising, creating frustration and lack of actionability/ understanding.</b></p>
Knowledge of Policies	<p><b>What is your knowledge of compensation procedures and policies?</b></p> <ul style="list-style-type: none"> <li>Of all agencies interviewed, <b>only one was aware</b> that the maximum salary eligibility for bonuses was removed. <ul style="list-style-type: none"> <li><b>Policy misunderstandings diminish the trust</b> agencies have in State HR because they don’t understand why these policies are in place.</li> </ul> </li> <li>Multiple leaders noted that they were <b>unaware of the proper procedure for requesting approval</b> for various processes, such as bringing in an employee above the midpoint of their salary band. This gap in knowledge <b>increases the time and resources required to complete a request</b> and decreases <b>the likelihood that a request for approval will be filed</b>. <ul style="list-style-type: none"> <li>Without adequate knowledge of the policies, agency leadership’s relationship with State HR can become strained. <b>Improved cohesion between agencies</b> can help remedy this by enabling knowledge sharing and problem solving.</li> </ul> </li> </ul>	<p><b>Agencies’ knowledge of procedures and policies is not consistent, which limits their ability to effectively use existing policies to compensate their employees. Furthermore, it can create tension with State HR.</b></p>

# Appendix B: Benefits Review

A large, bold, white letter 'B' is positioned on the right side of the slide, set against a solid blue background. The letter is stylized with a rounded top and a thick stroke.

# Market Comparators

Public Sector (n=11)	Private Sector (n=46)		
Commonwealth of Kentucky	AGCO Corporation	Elon University	Newnan Utilities
Commonwealth of Virginia	Atlanta Braves	Fresh Market, The	Nissan North America, Inc.
State of Alabama	AutoZone, Inc.	Furman University	Norfolk Southern Corporation
State of Arkansas	BMW Manufacturing Company, LLC	GEODIS	Northeast Georgia Health System, Inc.
State of Florida	Canfor Southern Pine, Inc.	Guardian Pharmacy Services, LLC	Novonix
State of Georgia	Cato Corporation, The	Gulfstream Aerospace	Oxford Industries, Inc.
State of Louisiana	Charter Medical, LLC	Hapag-Lloyd (America) LLC	Piedmont Healthcare, Inc.
State of Missouri	CHI Memorial	Haverty Furniture Companies, Inc.	Sunbelt Rentals, Inc.
State of North Carolina	Cobb Electric Membership Corporation	HCA Healthcare, Inc.	Syngenta
State of Tennessee	Coca-Cola Company, Inc., The	Honeywell International, Inc.	Tommy Bahamas
State of West Virginia	Continental Automotive, Inc.	Ingersoll Rand, Inc.	UNC Health Care System
	Continental Tire the Americas, LLC	Kia Georgia, Inc.	Vanderbilt University
	Cox Enterprises, Inc.	Landis+Gyr	Volkswagen Group of America Chattanooga
	Dollar General Corporation	Lilly Pulitzer	Volvo Group North America, LLC
	Duke University	Medicago USA, Inc.	
	ECU Health	Mercedes-Benz USA, LLC	

# Retirement

	State of South Carolina	Public Sector	Private Sector								
<b>Defined Benefit (DB) Plans</b>	<ul style="list-style-type: none"> <li>Employees have the choice between the PEBA Retirement Plan (DB plan) and ORP DC Plan</li> </ul> <p><b><u>PEBA Retirement Plan</u></b></p> <ul style="list-style-type: none"> <li>Mandatory employee contribution: 9% of pay</li> <li>Formula: 1.82% x highest 5 years of pay x service</li> <li>Normal Retirement: age 65 with 8 years of service</li> <li>Early Retirement: age 60 with 8 years of service</li> <li>Earliest Unreduced Retirement: age + service = 90, with at least 8 years of service</li> <li>Cost-of-Living Adjustment: tied to CPI and capped at 1% or \$500 per year</li> </ul>	<ul style="list-style-type: none"> <li>All provide an active DB plan                             <ul style="list-style-type: none"> <li>91% are Final Average Pay plans</li> <li>9% are Cash Balance plans</li> </ul> </li> <li>Final Average Pay multiplier:                             <table border="1"> <thead> <tr> <th>Percentile</th> <th>Multiplier</th> </tr> </thead> <tbody> <tr> <td><b>75th</b></td> <td>1.96%</td> </tr> <tr> <td><b>50th</b></td> <td>1.68%</td> </tr> <tr> <td><b>25th</b></td> <td>1.00%</td> </tr> </tbody> </table> </li> </ul>	Percentile	Multiplier	<b>75th</b>	1.96%	<b>50th</b>	1.68%	<b>25th</b>	1.00%	<ul style="list-style-type: none"> <li>Only 11% provide an active plan, most of which are Final Average Pay plans</li> <li>Only one organization requires employees to contribute to the DB plan</li> </ul>
Percentile	Multiplier										
<b>75th</b>	1.96%										
<b>50th</b>	1.68%										
<b>25th</b>	1.00%										
		<ul style="list-style-type: none"> <li>All peers require employees to contribute to the plan                             <table border="1"> <thead> <tr> <th>Percentile</th> <th>Mandatory Employee Contribution %</th> </tr> </thead> <tbody> <tr> <td><b>75th</b></td> <td>6.0%</td> </tr> <tr> <td><b>50th</b></td> <td>5.5%</td> </tr> <tr> <td><b>25th</b></td> <td>4.0%</td> </tr> </tbody> </table> </li> <li>Typical NRA: age 65 with 5 years of service</li> <li>For those that offer unreduced early retirement, typically based on service, the median is 30 years</li> <li>55% provide a cost-of-living adjustment, usually tied to CPI and the median maximum increase is 3%</li> </ul>	Percentile	Mandatory Employee Contribution %	<b>75th</b>	6.0%	<b>50th</b>	5.5%	<b>25th</b>	4.0%	
Percentile	Mandatory Employee Contribution %										
<b>75th</b>	6.0%										
<b>50th</b>	5.5%										
<b>25th</b>	4.0%										

# Retirement (continued)

	State of South Carolina	Public Sector	Private Sector														
<b>Defined Contribution (DC) Plans</b>	<ul style="list-style-type: none"> <li>Employees have the choice between the PEBA Retirement Plan (DB plan) and ORP DC Plan</li> </ul> <p><b><u>ORP 401(a) Plan</u></b></p> <ul style="list-style-type: none"> <li>Employee contribution of 9% of pay</li> <li>5% employer contribution</li> </ul> <p><b><u>PEBA 401(k) Plan</u></b></p> <ul style="list-style-type: none"> <li>Allows for employee pre-tax and Roth deferrals</li> <li>No employer contributions</li> </ul> <p><b><u>PEBA 457 Deferred Compensation Plan</u></b></p> <ul style="list-style-type: none"> <li>Allows for employee pre-tax and Roth deferrals</li> <li>No employer contributions</li> </ul>	<ul style="list-style-type: none"> <li>36% (four peers) provide employer contributions to a DC plan, each of which also provide a Defined Benefit (DB) plan</li> <li>Of those, one requires employees to choose between the DB and DC plans and the other three offer hybrid DB/DC plans</li> <li>Median total employer contribution is 4.5% of pay</li> </ul>	<ul style="list-style-type: none"> <li>All provide employer contributions to a DC plan</li> <li>Prevalence of contribution type:</li> </ul> <table border="1"> <thead> <tr> <th>Match Only</th> <th>Non-Match Only</th> <th>Match &amp; Non-Match</th> </tr> </thead> <tbody> <tr> <td>67%</td> <td>7%</td> <td>26%</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>Total employer contributions:</li> </ul> <table border="1"> <thead> <tr> <th>Percentile</th> <th>Total Contribution %</th> </tr> </thead> <tbody> <tr> <td>75<sup>th</sup></td> <td>8%</td> </tr> <tr> <td>50<sup>th</sup></td> <td>6%</td> </tr> <tr> <td>25<sup>th</sup></td> <td>4%</td> </tr> </tbody> </table>	Match Only	Non-Match Only	Match & Non-Match	67%	7%	26%	Percentile	Total Contribution %	75 <sup>th</sup>	8%	50 <sup>th</sup>	6%	25 <sup>th</sup>	4%
Match Only	Non-Match Only	Match & Non-Match															
67%	7%	26%															
Percentile	Total Contribution %																
75 <sup>th</sup>	8%																
50 <sup>th</sup>	6%																
25 <sup>th</sup>	4%																

## Observations

### DB Plan

- Offering a DB plan is consistent with market practice for the Public Sector but not the Private Sector where only 11% provide a DB plan
- The State's 1.82% multiplier is between the median and 75<sup>th</sup> percentile for the Public Sector, but offset by higher mandatory employee contributions of 9% vs the median 5.5%

### DC Plan

- The State's 5% employer contribution is between the 25<sup>th</sup> and 50<sup>th</sup> percentiles of the Private Sector and slightly above the Public Sector median of 4.5%, although most public entities rely on DB plans as the primary retirement benefit

### Total (DB and DC) Annual Value

- For total retirement, The State's 12% is below the public sector 25<sup>th</sup> percentile but above the private sector 75<sup>th</sup>:

	State's DC	State's DB*	Public Sector			Private Sector		
			25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>
<b>Total Annual Value (% of pay)</b>	5%	Avg. 12% (ranges from 6% to 15% based on service)	15%	18%	21%	5%	6%	7%

# Retiree Medical

State of South Carolina	Public Sector	Private Sector
<ul style="list-style-type: none"><li>• Both pre-65 and post-65 coverage through PEBA</li><li>• Retirees with less than 15 years of service pay 100% of premiums</li><li>• After 15 years of service, employer subsidy varies by service:<ul style="list-style-type: none"><li>• <b>Pre-65 Coverage:</b><ul style="list-style-type: none"><li>– 15 years: 49% for HDHP, 42% for PPO</li><li>– 20+ years: 98% for HDHP, 83% for PPO</li></ul></li><li>• <b>Post-65 Coverage:</b><ul style="list-style-type: none"><li>– 15 years: 42% for Indemnity plan</li><li>– 25+ years: 83% for Indemnity plan</li></ul></li></ul></li></ul>	<ul style="list-style-type: none"><li>• 82% of organizations provide coverage, all of which include both pre-65 and post-65 coverage</li><li>• Of those:<ul style="list-style-type: none"><li>– 89% subsidize coverage</li><li>– 11% are access only (retirees pay 100% of cost)</li></ul></li></ul>	<ul style="list-style-type: none"><li>• 17% of organizations provide coverage, of which 50% offer only pre-65 coverage, 50% offer both pre-65 and post-65 coverage</li><li>• Of those:<ul style="list-style-type: none"><li>– 63% subsidize coverage</li><li>– 37% are access only (retirees pay 100% of cost)</li></ul></li></ul>

## Observations

- Providing subsidized coverage is aligned with the Public Sector market and above market practice for the Private Sector
- The State also aligns with the Public Sector in offering both pre-65 and post-65 coverage

# Medical

## State of South Carolina      Public Sector      Private Sector

### Plan Prevalence

- Choice between two plans: Standard Plan (PPO) and Savings Plan (HDHP)

- All but one organization offers at least 2 plan options

- 89% offer at least 2 plan options

Plan Type	Prevalence
PPO	73%
HDHP	73%

Plan Type	Prevalence
PPO	85%
HDHP	78%

### Employee Cost-Sharing<sup>1,2</sup>

Plan Type	EE	EE+CH	EE+SP	FAM
PPO	17%	15%	20%	19%
HDHP	2%	3%	7%	8%

Plan Type	EE	EE+CH	EE+SP	FAM
PPO	8%	17%	18%	19%
HDHP	7%	10%	14%	14%

Plan Type	EE	EE+CH	EE+SP	FAM
PPO	20%	25%	29%	28%
HDHP	13%	19%	20%	19%

### Deductibles<sup>1</sup>

Plan Type	Single	Family
PPO	\$515	\$1,030
HDHP	\$4,000	\$8,000

Plan Type	Single	Family
PPO	\$900	\$1,800
HDHP	\$1,700	\$3,400

Plan Type	Single	Family
PPO	\$925	\$2,000
HDHP	\$2,000	\$4,000

#### Legend: Employee Cost-Sharing Tiers

EE	Employee only
EE+CH	Employee + Child(ren)
EE+SP	Employee + Spouse
FAM	Employee + Spouse and Child(ren)

1) Market values reflect median in-network, where applicable

2) Values for The State exclude tobacco surcharge and include wellness credits



# Medical *(continued)*

	State of South Carolina			Public Sector			Private Sector		
<b>Out-of-Pocket Maximums<sup>1</sup></b>	<b>Plan Type</b>	<b>Single</b>	<b>Family</b>	<b>Plan Type</b>	<b>Single</b>	<b>Family</b>	<b>Plan Type</b>	<b>Single</b>	<b>Family</b>
	PPO	\$3,515	\$7,030	PPO	\$4,400	\$9,900	PPO	\$4,000	\$8,500
	HDHP	\$7,000	\$14,000	HDHP	\$4,400	\$8,800	HDHP	\$4,500	\$9,000
<b>Coinsurance/Copayments<sup>1</sup></b>	<b>Plan Type</b>	<b>Inpatient Services</b>	<b>Office Visits</b>	<b>Plan Type</b>	<b>Inpatient Services</b>	<b>Office Visits</b>	<b>Plan Type</b>	<b>Inpatient Services</b>	<b>Office Visits</b>
	PPO	20%	20% + \$15 Copay	PPO	20%	\$25	PPO	20%	\$30
	HDHP	20%	20%	HDHP	20%	20%	HDHP	20%	20%
<b>HSA/HRA Employer Contribution<sup>1</sup></b>	<ul style="list-style-type: none"> <li>State does not contribute to the HSA</li> </ul>			<ul style="list-style-type: none"> <li>75% of those with a HDHP provide employer contributions to an HSA/HRA</li> <li>Median employer contribution:</li> </ul>			<ul style="list-style-type: none"> <li>86% of those with a HDHP provide employer contributions to an HSA/HRA</li> <li>Median employer contribution:</li> </ul>		
				<b>Single</b>	<b>Family</b>	<b>Single</b>	<b>Family</b>	<b>Single</b>	<b>Family</b>
			\$500	\$1,000	\$550	\$1,100			

1) Market values reflect median in-network, where applicable

# Medical *(continued)*

	State of South Carolina		Public Sector		Private Sector	
Generic Prescriptions <sup>1</sup>	Plan Type	Copay/ Coinsurance	Plan Type	Copay/ Coinsurance	Plan Type	Copay/ Coinsurance
	PPO	\$13	PPO	\$10	PPO	\$10
	HDHP	20%	HDHP	20%	HDHP	20%
Formulary Prescriptions <sup>1</sup>	Plan Type	Copay/ Coinsurance	Plan Type	Copay/ Coinsurance	Plan Type	Copay/ Coinsurance
	PPO	\$46	PPO	\$30	PPO	30% or \$35 Copay
	HDHP	20%	HDHP	25%	HDHP	20%
Non-Formulary Prescriptions <sup>1</sup>	Plan Type	Copay/ Coinsurance	Plan Type	Copay/ Coinsurance	Plan Type	Copay/ Coinsurance
	PPO	\$77	PPO	\$50	PPO	40%
	HDHP	20%	HDHP	25%	HDHP	20%

1) Market values reflect median in-network, where applicable

# Medical *(continued)*

## Observations

- The State is aligned with both markets in offering both PPO and HDHP options
- The overall value of The State's **PPO** plan (highest enrollment and valued for total remuneration purposes) is aligned with the median of the Public Sector and positioned between the median and 75<sup>th</sup> percentile of the Private Sector
- The State's **HDHP** cost share is more generous than median for both markets; however, this is offset by higher deductibles and out-of-pocket limits compared to market
  - The lack of employer contributions to the HSA also lags the market

	State's PPO	Public Sector			Private Sector		
		25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>	25 <sup>th</sup>	50 <sup>th</sup>	75 <sup>th</sup>
<b>Overall Plan Value</b>	\$12,500	\$11,200	\$12,900	\$14,200	\$10,500	\$11,900	\$13,300

*Note: the values above reflect the annualized value of The State's highest enrollment plan (Standard PPO) compared to the highest enrollment plan among peers, regardless of plan type*

	Cost Share	Deductibles	Out-of-Pocket Maximums	Coinsurance
<b>PPO</b>	Aligned with Public Sector	More generous than both markets	More generous than both markets	Aligned with both markets
	More generous than Private Sector			
<b>HDHP</b>	More generous than both markets	Less generous than both markets	Less generous than both markets	Aligned with both markets

*Note: the market positioning above reflects The State's plan features compared to those of like plans only (e.g., PPO vs. PPO plans, HDHP vs. HDHP plans)*

# Dental

State of South Carolina		Public Sector		Private Sector																		
<b>Plan Prevalence</b>	• Choice between Basic Dental and Dental Plus plan	• 82% offer at least 2 plan options	• 52% offer at least 2 plan options																			
<b>Employee Cost-Sharing<sup>1</sup></b>	<table border="1"> <thead> <tr> <th>Plan</th> <th>Single</th> <th>Family</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td>0%</td> <td>61%</td> </tr> <tr> <td>Plus</td> <td>68%</td> <td>89%</td> </tr> </tbody> </table>	Plan	Single	Family	Basic	0%	61%	Plus	68%	89%	<table border="1"> <thead> <tr> <th>Single</th> <th>Family</th> </tr> </thead> <tbody> <tr> <td>100%</td> <td>100%</td> </tr> </tbody> </table>	Single	Family	100%	100%	<table border="1"> <thead> <tr> <th>Single</th> <th>Family</th> </tr> </thead> <tbody> <tr> <td>65%</td> <td>65%</td> </tr> </tbody> </table>	Single	Family	65%	65%		
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<b>Basic / Major Deductibles<sup>1</sup></b>	<table border="1"> <thead> <tr> <th>Plan</th> <th>Single</th> <th>Family</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td>\$25</td> <td>\$75</td> </tr> <tr> <td>Plus</td> <td>\$25</td> <td>\$75</td> </tr> </tbody> </table>	Plan	Single	Family	Basic	\$25	\$75	Plus	\$25	\$75	<table border="1"> <thead> <tr> <th>Single</th> <th>Family</th> </tr> </thead> <tbody> <tr> <td>\$50</td> <td>\$150</td> </tr> </tbody> </table>	Single	Family	\$50	\$150	<table border="1"> <thead> <tr> <th>Single</th> <th>Family</th> </tr> </thead> <tbody> <tr> <td>\$50</td> <td>\$150</td> </tr> </tbody> </table>	Single	Family	\$50	\$150		
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<b>Plan Maximums<sup>1</sup></b>	<table border="1"> <thead> <tr> <th>Plan</th> <th>Annual Max</th> <th>Lifetime Ortho</th> </tr> </thead> <tbody> <tr> <td>Basic</td> <td>\$1,000</td> <td>\$1,000</td> </tr> <tr> <td>Plus</td> <td>\$2,000</td> <td>\$1,000</td> </tr> </tbody> </table>	Plan	Annual Max	Lifetime Ortho	Basic	\$1,000	\$1,000	Plus	\$2,000	\$1,000	<table border="1"> <thead> <tr> <th>Annual Preventive / Basic / Major</th> <th>Lifetime Ortho</th> </tr> </thead> <tbody> <tr> <td>\$1,500</td> <td>\$1,500</td> </tr> </tbody> </table>	Annual Preventive / Basic / Major	Lifetime Ortho	\$1,500	\$1,500	<table border="1"> <thead> <tr> <th>Annual Preventive / Basic / Major</th> <th>Lifetime Ortho</th> </tr> </thead> <tbody> <tr> <td>\$1,500</td> <td>\$1,500</td> </tr> </tbody> </table>	Annual Preventive / Basic / Major	Lifetime Ortho	\$1,500	\$1,500		
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Plus	\$2,000	\$1,000																				
Annual Preventive / Basic / Major	Lifetime Ortho																					
\$1,500	\$1,500																					
Annual Preventive / Basic / Major	Lifetime Ortho																					
\$1,500	\$1,500																					
<b>Coinsurance<sup>1</sup></b>	• 100% for preventative, 80% for basic, 50% for major and orthodontia services	• <u>Median</u> : 100% for preventative, 80% for basic, 50% for major and orthodontia services	• <u>Median</u> : 100% for preventative, 80% for basic, 50% for major and orthodontia services																			

## Observations

- **Basic** plan features lower deductibles and generous employee cost-sharing in comparison with both sectors; however, annual maximums are slightly lower than median
- **Plus** plan also features lower deductibles and competitive cost-sharing, with plan maximums and coinsurance levels that are also competitive
- The overall value of The State's Basic Plan (highest enrollment and valued for total remuneration purposes) is aligned with the median of the Private Sector
  - For the Public Sector, all but two organizations require employees to pay 100% of plan costs so there is no employer-paid value

	SC Basic Plan	Private Sector 25 <sup>th</sup>	Private Sector 50 <sup>th</sup>	Private Sector 75 <sup>th</sup>
<b>Overall Plan Value</b>	\$1,300	\$900	\$1,300	\$2,000

# Vision and Life Insurance

	State of South Carolina	Public Sector	Private Sector
<b>Vision</b>	<ul style="list-style-type: none"> <li>100% employee-paid</li> </ul>	<ul style="list-style-type: none"> <li>All require employees to pay 100% of premiums</li> </ul>	<ul style="list-style-type: none"> <li>68% require employees to pay 100% of premiums</li> <li>23% offer partially employer-subsidized coverage</li> <li>9% provide a 100% employer-paid plan</li> </ul>
<b>Life Insurance</b>	<ul style="list-style-type: none"> <li>Employer-paid group coverage equal to 1X pay, in addition to a flat benefit of \$3,000</li> </ul>	<ul style="list-style-type: none"> <li>64% provide 100% employer-paid coverage; of those:               <ul style="list-style-type: none"> <li>57% provide a flat benefit (median is \$15,000)</li> <li>43% provide coverage as a multiple of pay (median is 1X pay)</li> </ul> </li> <li>9% (one peer) requires employees to share 50% of the premiums</li> <li>27% require employees to pay 100% of the premiums</li> </ul>	<ul style="list-style-type: none"> <li>98% provide employer-paid coverage; of those:               <ul style="list-style-type: none"> <li>91% provide coverage as a multiple of pay (median is 1.25X pay up to \$500,000)</li> <li>9% provide a flat benefit (median is \$62,500)</li> </ul> </li> </ul>

## Observations

- Vision:** aligned with market practice
- Life Insurance:** aligned with market practice

# Disability Insurance

	State of South Carolina	Public Sector	Private Sector
<b>Short-Term Disability</b>	<ul style="list-style-type: none"> <li>Not offered</li> </ul>	<ul style="list-style-type: none"> <li>64% provide coverage; of those:               <ul style="list-style-type: none"> <li>~40% provide fully employer-paid coverage</li> <li>~60% provide fully employee-paid coverage</li> </ul> </li> <li>Median coverage is 60% of pay for up to 26 weeks</li> <li>Median weekly maximum is \$1,000</li> <li>Median elimination period is 22 days</li> </ul>	<ul style="list-style-type: none"> <li>85% provide employer-paid coverage</li> <li>Median coverage is 60% of pay for up to 24 weeks</li> <li>Median weekly maximum is \$2,300</li> <li>Median elimination period is 7 days</li> </ul>
<b>Long-Term Disability</b>	<ul style="list-style-type: none"> <li>Employer-paid coverage equal to 62.5% of pay up to \$800 per month               <ul style="list-style-type: none"> <li>Employee must be enrolled in Medical plan to receive at no cost, otherwise employees pay age-based premiums</li> </ul> </li> <li>Additional voluntary (i.e., 100% employee-paid) coverage is available               <ul style="list-style-type: none"> <li>65% of pay up to \$8,000 per month</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>64% provide coverage; of those:               <ul style="list-style-type: none"> <li>~60% provide fully employer-paid coverage</li> <li>~40% provide fully employee-paid coverage</li> </ul> </li> <li>Median coverage is 60% of pay up to \$5,500 per month</li> </ul>	<ul style="list-style-type: none"> <li>72% provide employer-paid coverage</li> <li>Median coverage is 60% of pay up to \$12,000 per month</li> </ul>

## Observations

- Short-Term Disability:** lack of coverage is below market practice
- Long-Term Disability:** The State’s “dual plan” structure is not common in the market
  - Voluntary coverage levels are consistent with the Public Sector
  - The employer-paid coverage is well below Private Sector market practice due to the \$800 monthly cap

# Paid Leave

## State of South Carolina

### Vacation / Paid-time-off (PTO)

- Traditional Vacation plan

Years of Service	Vacation Days*
0	15
5	15
10	15
11	16.25
15	21.25
20	27.25
25	30

- Days increase by 1.25 for each year of service after 10 years up to 22

## Public Sector

- All provide a traditional Vacation plan with separate accruals for Vacation and Sick

Years of Service	Median Vacation
0	13
5	16
10	20
11	20
15	21
20	24
25	24

## Private Sector

- ~40% provide a traditional Vacation plan, ~60% provide a PTO plan

Years of Service	Median Vacation	Median PTO
0	10	16
5	15	21
10	20	25
11	20	25
15	20	28
20	20	28
25	22	28

### Sick Leave\*

- 15 days per year
- Carryover allowed up to 180 days

- Median: 13 days per year
- All allow carryover, only 27% limit carryover days

- Median: 9 days per year
- 25% allow carryover
- Median maximum carryover is 30 days

\* For those that provide traditional Vacation plan with separate accruals

# Paid Leave *(continued)*

	State of South Carolina	Public Sector	Private Sector
<b>Holidays</b>	<ul style="list-style-type: none"> <li>13 per year</li> </ul>	<ul style="list-style-type: none"> <li><u>Median</u>: 12 total days per year</li> <li>18% provide 1 Floating Holiday</li> </ul>	<ul style="list-style-type: none"> <li><u>Median</u>: 11 total days per year</li> <li>52% offer Floating Holidays (median is 3 per year)</li> <li>11% of organizations include Holidays in PTO for some or all employees</li> </ul>
<b>Personal Days*</b>	<ul style="list-style-type: none"> <li>Not offered</li> </ul>	<ul style="list-style-type: none"> <li>18% provide</li> </ul>	<ul style="list-style-type: none"> <li>22% provide</li> <li><u>Median</u>: 3 days per year</li> </ul>

## Total Leave\*\*

Years of Service	Total Days
0	43
5	43
10	43
11	44.25
15	49.25
20	55.5
25	58

Years of Service	Median Total Days
0	39
5	42
10	46
11	46
15	49
20	51
25	55

Years of Service	Median Total Days
0	27
5	35
10	36
11	36
15	41
20	43
25	47
30	51

\* For those that provide traditional Vacation plan with separate accruals

\*\* Total Leave includes PTO, Vacation, Sick Leave, Holidays, and Personal Days



# Paid Leave: Parental Leave

State of South Carolina	Public Sector	Private Sector
<ul style="list-style-type: none"><li>• 6 weeks for birth parent</li><li>• 2 weeks for non-birth parent</li></ul>	<ul style="list-style-type: none"><li>• 45% (5 peers) provide Parental Leave benefits for both the birth and non-birth parent<ul style="list-style-type: none"><li>– Median is 7 weeks</li><li>– One of those peers provides additional Maternity Leave to the birth parent</li></ul></li></ul>	<ul style="list-style-type: none"><li>• ~60% provide Parental Leave benefits for both the birth and non-birth parent<ul style="list-style-type: none"><li>– 23% of those offering Parental Leave provide additional Maternity Leave to the birth parent</li><li>– Median is 4 weeks for the birth parent and non-birth parent</li></ul></li></ul>

## Observations

- Providing paid Parental Leave is consistent with market practice
- It is becoming more common in the market to provide the same benefit to both the birth parent and non-birth parent (including adoptive parents)

# Paid Leave

## Observations

- The State is aligned with the Public Sector in offering a traditional Vacation plan; the majority of the Private Sector provides a PTO plan
- The State's Vacation days are generally at or above median for both sectors, except from approximately year 5 up to 15 years of service due to the incremental nature of The State's vacation plan (i.e., 1.25 additional years per year of service)
  - It is more common in the market to have bigger break points at key service levels (e.g., an additional 5 days after 10 years of service)
- Holidays and Sick Leave are above market medians
- The State's total days off are fairly well aligned with the Public Sector median and above the Private Sector median

\* Total Days Off includes PTO, Vacation, Sick Leave, Holidays, and Personal Days

# Prevalence of Other Benefits

	Public Sector	Private Sector
Wellness Program	86%	90%
Adoption Benefits	67%	66%
Onsite Fitness	0%	59%
Paid/Subsidized Offsite Fitness	50%	40%
Free/Subsidized Parking	75%	80%
Child/Elder Care Assistance	67%	65%
Onsite Child Care	20%	21%
Work at Home Policy	80%	67%
Flextime	83%	60%
Job Share	50%	8%
Discount Purchasing	50%	90%

# Appendix C: Total Remuneration Results



# Total Remuneration Results

## By Function

Function	EE Count	Average Total Rem			Variance to Total Rem		
		25th	50th	75th	25th	50th	75th
Administration	12613	\$106,685	\$122,532	\$140,785	0%	-16%	-23%
Agriculture & Natural Resources	532	\$73,058	\$85,754	\$106,364	-1%	-15%	-31%
Education	366	\$79,288	\$90,909	\$106,642	2%	-11%	-24%
Health Services	2099	\$94,743	\$106,887	\$122,012	2%	-9%	-20%
Human Services	5372	\$80,838	\$91,813	\$107,477	3%	-9%	-23%
Information Services	613	\$84,135	\$96,636	\$111,173	-6%	-17%	-28%
Law Enforcement & Regulatory Services	6178	\$72,477	\$95,977	\$99,562	84%	-6%	59%
Technical Services	1293	\$103,966	\$119,182	\$136,651	15%	-12%	-8%
Trade Services	2569	\$71,530	\$88,344	\$93,897	45%	-13%	25%
<b>Overall Average</b>		<b>\$90,258</b>	<b>\$105,441</b>	<b>\$119,881</b>	<b>15%</b>	<b>-13%</b>	<b>-8%</b>

# Appendix D: Slotting Process



# Slotting Process

## Assigning jobs to the pay structures

Target market value (“median”) used to establish overall job value

### 1 Benchmark Job Slotting

Benchmark jobs assigned to grade with midpoint closest to market value (formulaically)

### 2 Non-Benchmark Job Slotting

Non-benchmarks are slotted using internal equity comparisons to benchmarked jobs (spatial relationships)

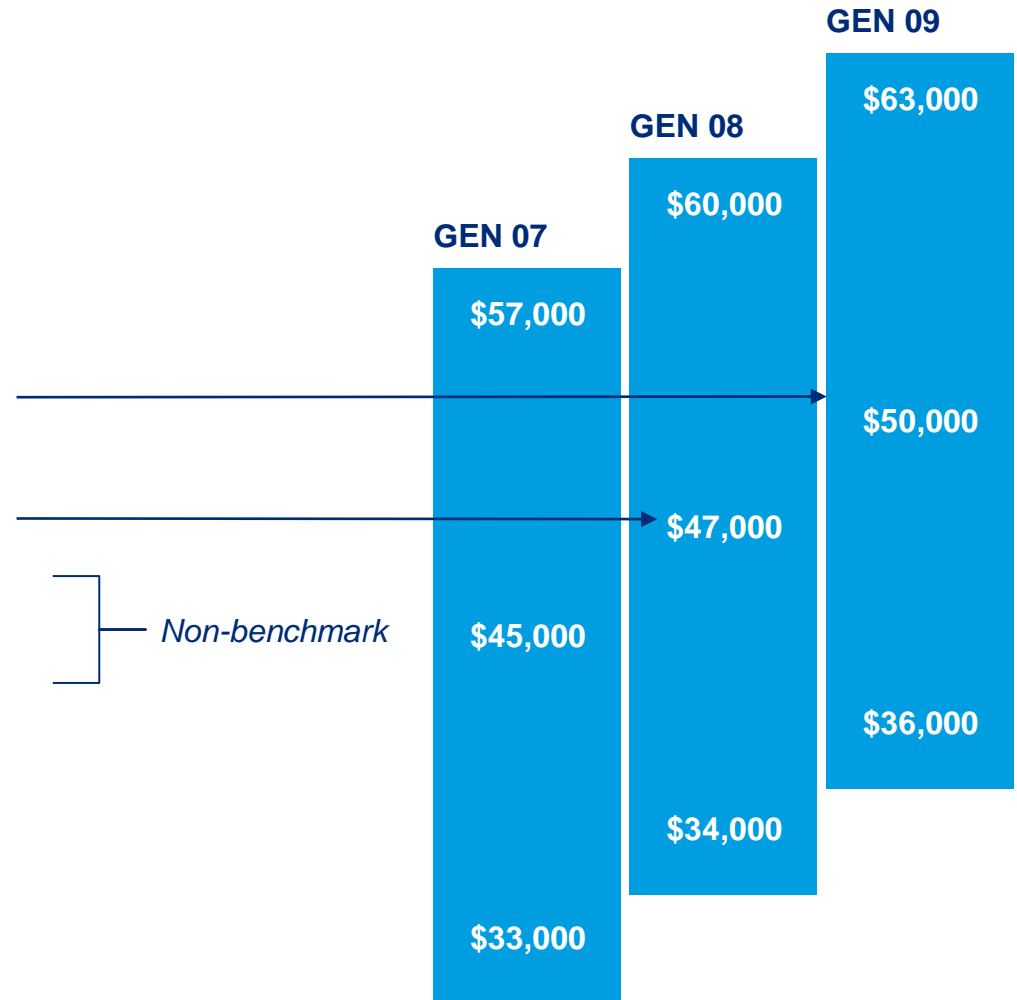
### 3 Calibration

Resulting grade assignments are reviewed within and across job functions for internal equity, considering job impact and requirements

Accountant B \$49,036  
GEN 09

Accountant A \$47,646  
GEN 08

Administrative Assistant  
GEN 07

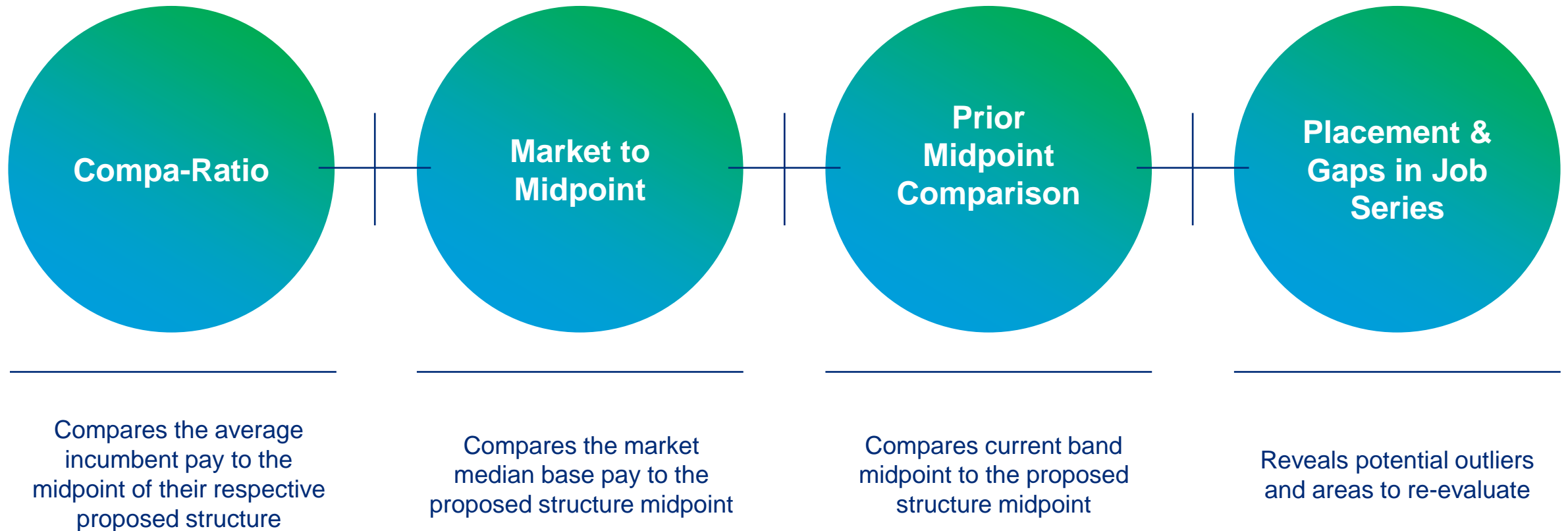


*It is common to slot jobs into the grades based on the market and then make minor grade assignment adjustments for certain positions, in order to ensure internal equity and fit within the organization*

# Slotting Process

## Considerations


### Considerations to help guide job slotting:






# Slotting Process

## Job series example: Wildlife Biologist (Agriculture & Natural Resources)

 Non-benchmark slotting override

 Benchmark slotting override

Notes benchmark vs. non-benchmark job

Manual assignment to structure

Summarizes non-benchmark jobs and overrides for formulaic slotting

Job Code	Job Title	EE Count	BM Job	Average EE Base Salary	Market Median Base Salary	Current Pay Band	Current Pay Midpoint	Structure Assignment	Slotting Grade	Override	Final Grade	Difference from Slotted Grade	Grade Min	Grade Q1	Grade Mid	Grade Q3	Grade Max	Grade Mid Decreased?	If Decreased, by how much?	Compa-Ratio	Median to Midpoint	Average EE Below Min?	Average EE Above Max?
LE50	WILDLIFE BIOLOGIST I	36	x	\$38,482	\$62,037	BAND 04	\$44,977	GEN	GEN08	GEN07	GEN07	-1	\$39,300	\$46,200	<b>\$53,100</b>	\$59,950	\$66,800	no	n/a	72%	117%	x	
LE60	WILDLIFE BIOLOGIST II	59	x	\$49,589	\$68,570	BAND 05	\$53,957	GEN	GEN09	GEN08	GEN08	-1	\$45,300	\$53,200	<b>\$61,100</b>	\$69,050	\$77,000	no	n/a	81%	112%		
LE70	WILDLIFE BIOLOGIST III	64		\$59,846	--	BAND 06	\$64,885	GEN	--	GEN09	GEN09	n/a	\$52,100	\$61,200	<b>\$70,300</b>	\$79,450	\$88,600	no	n/a	85%	--		
LE80	WILDLIFE BIOLOGIST IV	20	x	\$73,417	\$79,180	BAND 07	\$78,343	GEN	GEN10	No	GEN10	n/a	\$57,700	\$69,250	<b>\$80,800</b>	\$92,350	\$103,900	no	n/a	91%	98%		

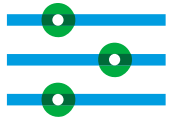
Formulaic slotting (benchmark jobs only)

Proposed structure minimum, midpoint, maximum, and quartile references

Considerations "check" for impact of proposed slotting

# Slotting Process

## Considerations



### By Structure

#### Review

Assignment of jobs to differentiated structures: GEN, TEC, CLN, and PUB

#### Considerations

Are the manager/subordinates aligned to the same structure?

What might be the perception of including/excluding them?

Are there enough jobs/employees to justify this differentiated structure?



### By Function

#### Review

Ensure alignment across job series for "peer" roles

#### Considerations

If two roles are banded the same today, are they within reason/the same level in the new structure?

What is the comparison from current to proposed?



### By Job Series

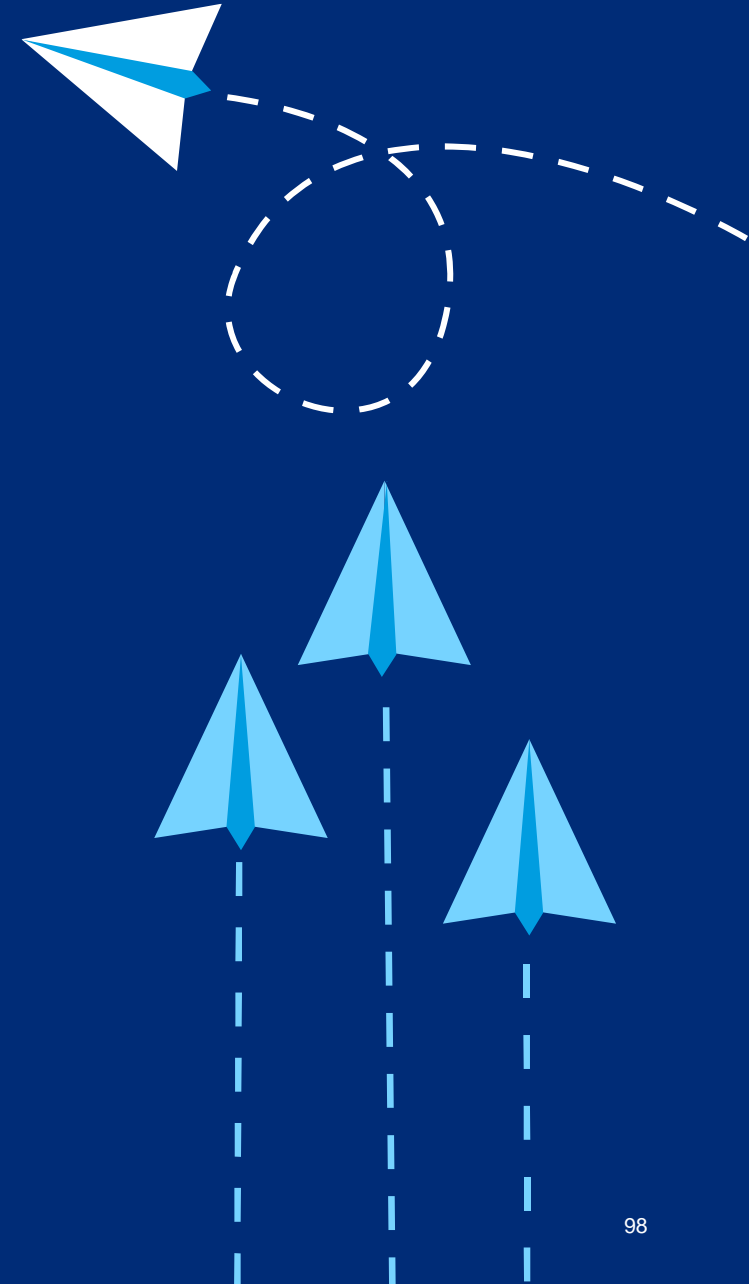
#### Review

Assess hierarchy and where there are "bigger" and "smaller" differences between levels

#### Considerations

Is the employee/manager relationship maintained in separate levels?

Are the gaps in level uniform/consistent with the scope of work growing?



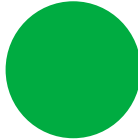
# Appendix E: Pay Policy Assessment Details



# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention



## Core Elements: Compensation Philosophy and Strategy

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Compensation Philosophy and Strategy</b></p> <ul style="list-style-type: none"> <li>No current stated compensation philosophy exists today.</li> <li>The State does not currently highlight differences in pay strategy based on job area.</li> </ul>	<ul style="list-style-type: none"> <li>The compensation philosophy should contain information on objectives and goals, targeted positioning in the market, and other factors</li> <li>Organizations typically document a target market position for base salary and total cash compensation (base salary plus bonus/incentive)               <ul style="list-style-type: none"> <li>A majority of organizations, across all industries, target a median (50<sup>th</sup> percentile) market position</li> </ul> </li> <li>Labor market competitors are typically defined as the organizations to whom talent is lost to and/or recruited from, which may not be the same organizations considered to be business competitors               <ul style="list-style-type: none"> <li>For The State, this likely includes both public and private sector organizations</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Based on discussion with the project team, The State will target a median (50th percentile) market position for base pay going forward</li> <li>There is recognition that certain disciplines/jobs may require a more competitive market position to attract and retain critical talent</li> <li>Going forward, The State can maintain a compensation philosophy overall, as well as a varied target positioning for select job groups, as required</li> <li><i>Prior to the 2023-2024 study, The State would be “Needs Attention”</i></li> </ul>

# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention

## Core Elements: Compensation Governance

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Compensation Assessment Frequency</b></p> <ul style="list-style-type: none"> <li>Board and General Assembly perform bi-annual competitiveness report comparing base pay to private sector data and adjust min and max salary ranges to determine market value of each job classification</li> <li>The State administers benchmark assessments by targeted job segments or groups periodically (Nurse benchmark assessment and Law Enforcement benchmark assessment)</li> <li>Up until now, The State has not conducted a comprehensive benchmark assessment of all jobs</li> </ul>	<ul style="list-style-type: none"> <li>Organizations with a mature compensation program typically have documentation on the design of the structure and other various compensation initiatives, including:               <ul style="list-style-type: none"> <li>Annual reviews against market competitors</li> <li>Consideration of multiple talent markets</li> <li>Regular benchmarking assessments to pulse check competitive pay levels in changing market conditions</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>The State should consider more frequent competitiveness reviews and widen the market view for survey data (from private only to public + private)</li> <li>Going forward, The State should continue to adjust midpoints based on gap to market</li> </ul>
<p><b>Pay Equity</b></p> <ul style="list-style-type: none"> <li>The State does not currently engage in any pay equity studies</li> </ul>	<ul style="list-style-type: none"> <li>Pay equity studies are becoming more prevalent for organizations across all industries. Studies have been found to increase awareness of inequities across underrepresented groups.</li> <li>Accurate input data around time in role, age, and performance may be required, as well as proper alignment between employee and job</li> </ul>		<ul style="list-style-type: none"> <li>The State may want to periodically assess pay equity across job levels and departments /agencies to ensure consistency and fairness around pay</li> <li>The State should consider the advantages of improving pay equity and promoting this as an attraction and retention tool</li> </ul>

# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention


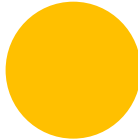
## Core Elements: Compensation Governance

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Compensation Budget Planning</b></p> <ul style="list-style-type: none"> <li>The Executive Budget Office of the Department of Administration budgets for employee pay increases, generally following these two guidelines (some exceptions apply for specific jobs):               <ul style="list-style-type: none"> <li>For FTE making \$50,000 and under, base salary will be increased by \$2,500</li> <li>For FTE making above \$50,000, base salary will be increased by 5%</li> </ul> </li> <li>The Executive Budget Office will review Executive Branch agencies to determine whether their budgets warrant a great fund authorization increase to meet the guidelines stated above</li> <li>The current budget planning process leaves room for internal politics and HR education to influence an agency's budget</li> </ul>	<ul style="list-style-type: none"> <li>Market practice is to assess the external market which helps to inform the appropriate salary increase budget each year.</li> <li>Organizations either budget for promotions separately or more typically, roll those amounts into the overall merit figure.               <ul style="list-style-type: none"> <li>Annual merit increase budget determined based on:                   <ul style="list-style-type: none"> <li>Salary increase budgets informed by local market trends</li> <li>Organizational and financial performance</li> <li>Projected staffing needs</li> </ul> </li> <li>Promotion and market / internal equity adjustments determined based on:                   <ul style="list-style-type: none"> <li>Historical spend on promotions and adjustments</li> <li>Projected needs</li> <li>Market environment / hot jobs</li> </ul> </li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>The State's budget should be determined more closely tied to external market factors and projected compensation adjustments</li> <li>The State should avoid drawing a "line in the sand" for employee's pay increases based on base salary alone</li> </ul>

# Pay Policy Assessment Detail

- Competitive
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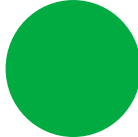
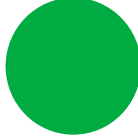
## Core Elements: Level Governance

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Grade / Level Structure</b></p> <ul style="list-style-type: none"> <li>The State's existing structure is based on pay band only – there is not an existing job architecture foundation to categorize and organize jobs</li> <li>Some agencies have begun developing job ladders and job architectures for certain job class groups, but it is not centralized</li> </ul>	<ul style="list-style-type: none"> <li>Job catalogs are a critical instrument for organizing jobs and outlining a clear career path</li> <li>Typically, a formal structure consists of Job Family, Job Sub-Family, Job Level, Career Stream (e.g. Management, Professional, Support), Position / Job</li> </ul>		<ul style="list-style-type: none"> <li>Creating a more detailed and clearly-defined job leveling structure that stands separately from the pay bands can enhance career pathing discussions, data reporting capabilities and identify areas of potential risk for pay inequity</li> </ul>
<p><b>Job Titles</b></p> <ul style="list-style-type: none"> <li>The State has relatively uniform titles with logical progression within the job series</li> <li>Business titles are not commonly used or are inaccurate in the HRIS system</li> <li>There is opportunity for both consolidation and delineation of existing job classes – Mercer has provided recommendations for more specific job classifications, and opportunities to simplify or reduce the number of levels in a single job series</li> </ul>	<ul style="list-style-type: none"> <li>It is common to utilize both a system title that is more uniform and a business title that is more specific to the actual job duties in a particular agency / department</li> <li>Best practice companies use job titles that are closely aligned to market compensation surveys and set titling guidelines to maintain consistency across the organization.</li> <li>Consistent titling benefits include:               <ul style="list-style-type: none"> <li>Easier administration of compensation systems</li> <li>Ease in seeing equity in levels across departments/divisions</li> </ul> </li> <li>A job architecture would provide a strong foundation for aligning job titles with similar levels of impact and responsibility across the organization, and also aligning to similar job titles in benchmarking surveys</li> </ul>		<ul style="list-style-type: none"> <li>The State's system job titling structure is in line with market best practice</li> <li>There is a gap in usage of business titles to help increase specificity in employee duties and responsibilities</li> <li>Using Mercer's recommendations as a guide, The State can continue to review job classes for consolidation and differentiation opportunities</li> </ul>

# Pay Policy Assessment Detail


## Programs: Salary Structure Methodology

- Competitive
- Fairly Competitive
- Needs Attention

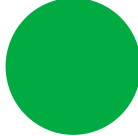

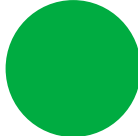
Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Market Pricing Methodology</b></p> <ul style="list-style-type: none"> <li>Given the current study, The State uses nine (9) potential survey sources to benchmark jobs:               <ul style="list-style-type: none"> <li>Mercer Benchmark Database, IHN</li> <li>Willis Towers Watson</li> <li>CompData</li> <li>BLS</li> <li>NCASG</li> <li>MASC</li> <li>SCAC</li> </ul> </li> <li>Project methodology indicates data will be aged to January 1, 2024</li> </ul>	<ul style="list-style-type: none"> <li>Documenting the market pricing and salary structure methodologies are best practice across all industries</li> <li>Consider using a Lead/Lag approach for aging survey data, rather than defaulting to the survey effective date (i.e., age to the middle of the FY)</li> <li>Standardize approach for weighting surveys when multiple matches are available for a specific job</li> <li>Methodology Considerations               <ul style="list-style-type: none"> <li>Geographic differentials</li> <li>Industry data</li> <li>Revenue scope – Director and above</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>The benchmarking methodology may change over time to include additional sources or scopes, but should maintain a balance of public and private representation and documentation for any outliers or special circumstances</li> <li><i>Prior to the study, The State would be “Fairly Competitive”</i></li> </ul>
<p><b>Salary Structure Methodology</b></p> <ul style="list-style-type: none"> <li>The State references only the minimum and maximum in their pay structures and compensation philosophy</li> <li>The State does not currently anchor their pay to any specific percentile of the market</li> <li>Existing pay structure includes 10 broad bands with range widths of 85% and midpoint progressions of ~20%</li> </ul>	<ul style="list-style-type: none"> <li>Structure midpoints should be adjusted on an annual or bi-annual basis based on the outcomes of the job-based market analysis and broader trends</li> <li>Most organizations anchor their midpoints to the 50th percentile of the market</li> <li>Organizations that employ traditional salary grade structures typically have between 15-20 grades, with midpoint progressions and range widths that increase according to a job’s career level               <ul style="list-style-type: none"> <li>Executive: 50% - 80% widths, 20% - 30% progressions</li> <li>Non-executive: 30% - 50% widths, 10% - 15% progressions</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>Originally, The State had no targeted market for midpoints, however, the outcome of Mercer’s project work defined the target market at the median</li> <li>Additionally, the newly developed pay ranges will better align to market best practice designs for number of grades, midpoint progressions and range spreads</li> <li><i>Prior to the study, The State would be “Fairly Competitive”</i></li> </ul>



# Pay Policy Assessment Detail

-  Competitive
-  Fairly Competitive
-  Needs Attention

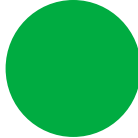
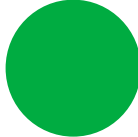
## Programs: Structure Design

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Structures by Job Area</b></p> <ul style="list-style-type: none"> <li>Single pay structure for all classes</li> <li>Ten (10) total bands, however most classes fall in only eight bands – the top and bottom grades are not heavily utilized</li> </ul>	<ul style="list-style-type: none"> <li>It is somewhat common to have differentiated pay structures for jobs with faster moving markets, specific pay practice, or where additional flexibility is required</li> <li>If a single structure is supporting the full organization, more than 10 grades may be required</li> </ul>		<ul style="list-style-type: none"> <li>The State had a pay structure in place, but it was outdated and no longer aligned to market</li> <li>Mercer has established 3 additional pay structures for specific job areas (clinical, technology and certified law enforcement), in addition to the general structure</li> <li>Additional structures may be needed in the future (i.e., Legal)</li> <li><i>Prior to the study, The State would be “Fairly Competitive”</i></li> </ul>
<p><b>Geographic / Market Differential Pay</b></p> <ul style="list-style-type: none"> <li>The State’s guidelines explain geographic pay may be used for “any position or employee for periods of time when circumstances warrant such approval”</li> <li>Geographic differentials are applied on an agency-basis without guardrails ensuring consistency across the organization</li> </ul>	<ul style="list-style-type: none"> <li>Geographic pay is a common practice but requires specificity of groups of cities or zones that outline which factor applies to each group of cities</li> <li>Confirm or verify factors every 5 years to recalibrate as required</li> </ul>		<ul style="list-style-type: none"> <li>The State should specify how and when geographic / market differentials are warranted (i.e., what is the threshold for differentiated pay)</li> <li>Geographic locations are typically grouped in segments of 5% and applied to the general structure; employees in those specified locations are tied to the corresponding geographic structure</li> </ul>
<p><b>Range Width</b></p> <ul style="list-style-type: none"> <li>Range widths are consistent throughout the structure at 85%</li> <li>The exception is band 1, with a range with over 120%, to account for the federal minimum wage as the band minimum pay value</li> </ul>	<ul style="list-style-type: none"> <li>The average percentage range spread for narrow to wide designed structures is 50% - 80%</li> <li>Specific job areas may dictate narrower or broader range widths</li> <li>Commonly, organizations use a funneled approach (narrow at the bottom ranges, wider at the top ranges) to represent the natural progression of longer expected tenure in higher level roles</li> </ul>		<ul style="list-style-type: none"> <li>The proposed pay structures are designed with range spreads from 50% to 90%</li> <li>The range widths are differentiated by the job levels assigned to each band</li> <li><i>Prior to the study, The State would be “Fairly Competitive”</i></li> </ul>

# Pay Policy Assessment Detail

## Programs: Structure Design

- Competitive
- Fairly Competitive
- Needs Attention

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Midpoint Differentials</b></p> <ul style="list-style-type: none"> <li>Differentials are slightly varied, but average 20% between grades from top to bottom</li> </ul>	<ul style="list-style-type: none"> <li>Midpoint differentials typically range from 10-20% with wider percentages used for higher levels in the organization</li> <li>Market practice is to ensure there is a 20% differential between supervisors and direct reports to avoid compression</li> <li>Narrower differences between job levels are common in lower-level jobs / pay grades</li> </ul>		<ul style="list-style-type: none"> <li>The proposed pay structures are designed with midpoint progressions from 10% to 20%</li> <li>The midpoint progressions are differentiated by the job levels assigned to each band</li> <li><i>Prior to the study, The State would be "Fairly Competitive"</i></li> </ul>
<p><b>Structure Maintenance</b></p> <ul style="list-style-type: none"> <li>Pay structure is updated monthly with employee data, but is not updated with market data or adjusted for the age of data utilized</li> <li>Current structures are more than a decade out of date from market alignment</li> </ul>	<ul style="list-style-type: none"> <li>Best practice is for organizations to conduct a comprehensive market analysis of pay levels and structure midpoints on an annual or bi-annual basis.</li> <li>Pay structures are typically updated every 1-2 years and aged forward ~2-3% for maintenance between updates</li> <li>In addition to annual adjustments, a comprehensive pay structure review should be completed every three to four years using validated benchmark jobs to ensure pay ranges remain competitive</li> </ul>		<ul style="list-style-type: none"> <li>Ongoing maintenance suggests annual / bi-annual adjustments to the pay structure and a comprehensive study on a 3- or 4-year cadence</li> <li>An alternative is to review a subset of jobs each year, on a rotating basis</li> <li><i>Prior to the study, The State would be "Needs Attention"</i></li> </ul>

# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention

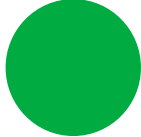
## Programs: Incentive Pay

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Spot Bonus Program</b></p> <ul style="list-style-type: none"> <li>Grant Salary Adjustments are available for an employee in an FTE position if circumstances warrant such approval               <ul style="list-style-type: none"> <li>The grant salary adjustment must be removed when the circumstances that warranted such an increase are no longer present</li> </ul> </li> <li>There is currently no universal criteria established for spot bonus amounts</li> <li>Maximum bonus amount of \$3,000 a year for employees with a salary less than \$100,000               <ul style="list-style-type: none"> <li>Employees with a salary greater than \$100,000 are not eligible to receive this type of bonus</li> </ul> </li> <li>Awarded based on exceptional service</li> </ul>	<ul style="list-style-type: none"> <li>Spot bonuses are sometimes included as part of broader employee recognition programs</li> <li>They are often delivered as a lump sum bonus vs. a temporary adjustment to base pay – this makes it a one-time award vs. an action that must be undone</li> <li>Spot bonuses and recognition awards can be useful tools to recognize employees for their contributions to the firm.</li> <li>It is common for higher level roles, and management roles, to have a proportionally higher incentive earning opportunity since it would make up a larger portion of the overall take-home pay</li> <li>In the private sector, a bonus opportunity is common for jobs at the professional, management and executive level</li> </ul>		<ul style="list-style-type: none"> <li>The State's offering is fairly competitive based on common market practices – they offer an additional pay opportunity for project-based excellence</li> <li>However, The State can integrate project based / spot bonuses more broadly (for non-project work) and consider a lump sum delivery vs. a long-term pay change</li> <li>Best practice would be to create bonus targets or an expected range of payouts that are incrementally linked to the newly developed pay grades               <ul style="list-style-type: none"> <li><i>Rationale: \$3,000 a year is valued different by someone who makes \$30,000 a year vs. someone who makes \$90,000 a year</i></li> </ul> </li> </ul>
<p><b>Longevity Pay</b></p> <ul style="list-style-type: none"> <li>Longevity pay discontinued in 1986, but prior awarded individuals continue to receive longevity pay (total compensation – longevity increase), then (reduced salary + longevity increase)</li> <li>Certain agencies have implemented similar programs independently since 1986</li> </ul>	<ul style="list-style-type: none"> <li>65% of organizations have a formal recognition program</li> <li>It is common in the public sector for law enforcement, public education and State Civil Service</li> <li>Longevity pay is typically delivered as a combination of a cash award and/or a non-cash away (i.e., gift card, plaque)</li> </ul>		<ul style="list-style-type: none"> <li>The State could establish guidelines and criteria for a longevity pay program as a mechanism for employee recognition, so long as the payments are meaningful and equitably awarded</li> <li>Understanding the importance of preserving agencies' autonomy, guidelines should allow agencies to customize their approach to recognizing and rewarding employees for their long-term commitment to The State</li> </ul>

# Pay Policy Assessment Detail

## Programs: Incentive Pay


- Competitive
- Fairly Competitive
- Needs Attention

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Critical Employee Incentives</b></p> <ul style="list-style-type: none"> <li>• One-time bonuses (up to \$10,000) are available for eligible positions / fields</li> <li>• Tuition repayment (up to \$7,500) and reimbursement programs are available for eligible positions / fields</li> <li>• \$5,000 Retention Bonus for healthcare employees (to not exceed \$10,000 a year in bonuses)</li> </ul>	<ul style="list-style-type: none"> <li>• Common practice during crisis situations in the form of Hazard Pay for essential workers (COVID-19)</li> <li>• Typically, a % of salary increase, or an hourly flat rate added to regular pay</li> </ul>		<ul style="list-style-type: none"> <li>• Generally, what The State offers is competitive based on common market practices for essential worker retention, but the competitiveness of the bonus amount is dependent on market conditions, competitor offerings and labor market conditions</li> </ul>

# Pay Policy Assessment Detail

## Programs: Performance Management


- Competitive
- Fairly Competitive
- Needs Attention

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Performance Management Administration</b></p> <ul style="list-style-type: none"> <li>Performance ratings are not currently linked to pay outcomes and are loosely monitored for accuracy and objectivity</li> <li>Each agency is responsible for developing their own performance management policy</li> </ul>	<ul style="list-style-type: none"> <li>50% of organizations in the market use a performance rating scale with 5 points, while only 10% use more than 5 points</li> <li>It is common to link pay with performance ratings, whether incentive pay or via an annual merit increase</li> </ul>		<ul style="list-style-type: none"> <li>Performance management should be standardized across The State, where possible, to better assess pay fairness and equity</li> <li>Managers may benefit from training to better understand the importance of accurate ratings and how to navigate difficult conversations</li> <li>The implementation of an organization-wide performance management program can be a key contributor to managing pay compression</li> </ul>

# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention

## Processes: Pay Administration

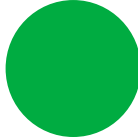
Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Salary Administration</b></p> <ul style="list-style-type: none"> <li>Employees are to be paid within the pay bands for the job class - above the minimum and not over the maximum</li> <li>No employee may receive a salary more than 95% percent of the midpoint of the agency head salary range or the agency head actual salary, whichever is greater</li> <li>No agency head may be paid less than the minimum of the pay range or receive an increase that would exceed the range max</li> </ul>	<ul style="list-style-type: none"> <li>Organizations utilize red and green circles to resolve pay outside the pay range (<i>see graphic below for details</i>):               <ul style="list-style-type: none"> <li>Red circle: flags employees who are above the pay range for their role</li> <li>Green circle: flags employees who are below the pay range for their role</li> </ul> </li> <li>In some cases, there is rationale for employees to be paid outside the pay range (on an outlier basis only)</li> <li>Documenting any rationale for pay decisions is best practice. Organizations document decisions to promote pay equity and prevent pay discrimination.</li> </ul>		<ul style="list-style-type: none"> <li>Outline potential exceptions for pay outside the designated pay ranges               <ul style="list-style-type: none"> <li>Tenure</li> <li>High performance</li> <li>Job reassignment (to a lower grade)</li> <li>Specialized skills</li> </ul> </li> <li>Designate actions for those outside the range to be managed into the range over time</li> </ul>

Below Minimum	Above Maximum
<ul style="list-style-type: none"> <li>Employees with salaries below their salary range minimum are being compensated <b>BELOW</b> the range of competitive pay for their jobs.</li> <li>When an employee that is meeting performance expectations for their current job has a current base salary below their salary range minimum, there should be consideration for increasing current compensation to the salary range minimum through <b>merit adjustments</b> over a reasonable <u>time period</u>.</li> <li>The term "<b>Green Circle</b>" is used to refer to employees that have been flagged as needing additional action to bring their current salary in line with their salary range minimum.</li> </ul>	<ul style="list-style-type: none"> <li>Employees with salaries above their salary range maximum are being compensated <b>ABOVE</b> the range of competitive pay for their jobs.</li> <li>Employees with salaries that are above their salary range maximum <b>should not</b> be eligible for a merit increase applied to their salary, instead a <b>lump sum payment</b> equal to the merit increase could be provided as a one-time payment until the time when their current salary is no longer above the range maximum through structure adjustments or job changes.</li> <li>The term "<b>Red Circle</b>" is used to refer to employees with a salary that is above their current range maximum, making them eligible for merit increases delivered as a lump sum payment in lieu of merit increases applied to annual base salary.</li> </ul>

# Pay Policy Assessment Detail

- Competitive
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- Needs Attention

## Processes: Pay Administration

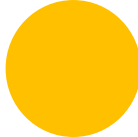
Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Promotions</b></p> <ul style="list-style-type: none"> <li>Upon promotion, an employee's salary may be increased by up to 15% of their salary prior to promotion, or to the midpoint of the new pay band, whichever is greater</li> <li>Increases above 15% and above the midpoint of the new pay band require written justification</li> </ul>	<ul style="list-style-type: none"> <li>Promotional increase amounts take the following criteria into consideration:                             <ul style="list-style-type: none"> <li>Pay range of the new job relative to the employee's current salary</li> <li>Employee's level of development relative to new job requirements</li> <li>Scarcity of skills and business requirements</li> <li>Internal equity considerations – the new salary relative to others at the same level</li> <li>Total available salary increase budget (merit and promotion combined)</li> </ul> </li> <li>Typical increases range from 7% - 10%</li> <li>Best practice promotion policy classifies salary grade ranges into three or four performance zones (Developing, Market, Premium), and award promotion amounts based on an employee's position within that zone at the time of promotion (<i>see graphic below</i>)</li> </ul>		<ul style="list-style-type: none"> <li>Promotional guidance up to 15% aligns with market expectations</li> <li>Added flexibility to promote with a larger increase may be warranted for specific roles or levels</li> <li>However, it is not common for an employee to move directly to the midpoint in the new pay band – typically the market suggests a newly promoted employee would be paid in the lower to middle third of the range</li> </ul>

Position in Current Salary Range	Target Position in New Salary Range		
	New Salary Range is <u>H</u> igher than Current Salary Range	New Salary Range is <u>E</u> qual to Current Salary Range	New Salary Range is <u>L</u> ower than Current Salary Range
Lower Third	Minimum to Lower Third	Lower Third to Middle Third	Middle Third
Middle Third	Lower Third	Middle Third to Upper Third	Upper Third
Upper Third	Middle Third	Upper Third	Upper Third to Maximum

# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention

## Processes: Pay Administration

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Annual / Legislative Increases</b></p> <ul style="list-style-type: none"> <li>Pay may be increased within a band for the following reasons:                             <ul style="list-style-type: none"> <li>Performance (no specific guidance)</li> <li>Additional skills or knowledge (up to 15% of current pay)</li> <li>Additional job duties or responsibilities increase (up to 15% of current pay)</li> <li>Transfer to another agency (up to 15% of current pay)</li> <li>Retention (up to 15% of current pay)</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Annual increases should reward sustained performance and overall contribution, and should be assessed during the annual performance evaluation process, taking into consideration:                             <ul style="list-style-type: none"> <li>Overall salary increase budget</li> <li>Where the salary currently falls relative to other employees in similar roles, at a similar salary level and with similar performance</li> <li>Level of development in role, including the skills, knowledge and experience brought to the job</li> <li>Retention and flight risk assessment</li> <li>Competitiveness of current pay (e.g., relationship of current base salary to the competitive range for the role)</li> </ul> </li> <li>A merit increase matrix based on both “position in range” and “annual performance” can be developed to guide these amounts based on an overall salary increase budget (<i>see graphic at right for details</i>)</li> <li>Market best practice is to automate the merit matrix in an HRIS system such as Workday</li> <li>Additional pay increases for skills, knowledge, duties or expanded responsibilities are also prevalent</li> </ul>		<ul style="list-style-type: none"> <li>Utilize market-driven annual increase amounts to ensure that annual awards are aligned with market base salary movement                             <ul style="list-style-type: none"> <li>If possible, outline guidelines for performance increases using a matrix that accounts for current position in range and annual performance</li> <li>This may require a more robust performance management system</li> </ul> </li> <li>The ability to “match” a potential transfer increase is aligned to best practice                             <ul style="list-style-type: none"> <li>Based on feedback from interviews, additional education may be required for agency HR users to better understand the policy</li> </ul> </li> </ul>

Annual Performance	Below Minimum	Position in Compensation Range			Above Maximum
		Lower Third	Middle Third	Upper Third	
Highest					N/A
High					N/A
Average					N/A
Below Average	N/A	N/A	N/A	N/A	N/A

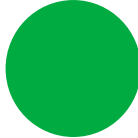




# Pay Policy Assessment Detail

- Competitive
- Fairly Competitive
- Needs Attention

## Processes: New Hire Pay

Current State Observations	Market Practice	Comparison to Market	Mercer Commentary
<p><b>Starting Pay / New Hires</b></p> <ul style="list-style-type: none"> <li>Employees must be paid at least the minimum of the pay band for the class to which they are hired</li> <li>New hires may exceed the minimum of the pay range when:               <ul style="list-style-type: none"> <li>They have exceptional qualifications</li> <li>The State is experiencing difficulty hiring and implement a special hire rate</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>Most organizations use the lower part of the salary range for new hire starting pay, however, several factors should be considered when identifying where to set a salary offer for a new hire within a given range (<i>see graphic below for details</i>):               <ul style="list-style-type: none"> <li>Assessment of a candidate's readiness to perform job requirements based on prior experience and skills</li> <li>Criticality of role combined with external labor market pressures (e.g., hard-to-fill roles, external competition, hot jobs)</li> <li>Salary level of the role's immediate supervisor and individuals in the same / similar role (internal equity)</li> <li>Internal affordability based on overall budget considerations</li> </ul> </li> </ul>		<ul style="list-style-type: none"> <li>The State's strategy for setting starting pay for new hires is in line with market practice.</li> <li>Utilizing the below targeting system may help standardize the starting pay rates across agencies, especially when exceptions are used</li> </ul>



