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**INTRODUCTION**

The Department of Personnel and Administration (Department) Division of Human Resources (Division) conducted its FY 2012-13 annual compensation survey and is reporting the findings as mandated by statute. The purpose of the annual compensation survey is to determine any necessary adjustments to the two major components of total compensation that require increased dollars year to year: employee salaries and employer contributions to group benefit plans for the State Personnel System. A summary of the survey process, findings, and estimated costs resulting from the findings are highlighted in the body of this report.

*The State of Colorado's policy is to provide competitive total compensation to employees in the State Personnel System to ensure the recruitment, motivation and retention of a qualified and competent workforce.*

A summary of findings on the salary survey for employees in the State Personnel System can be found on page 6. Estimated costs for employer contributions to group benefit plans can be found on page 10. Statute also requires the State Personnel Director (Director) to submit recommendations and estimated costs to the Governor and General Assembly. While the findings in this report are considered, the Director's recommendations also consider other factors, including but not limited to fiscal constraints and recruitment and retention that will reflect cost estimates separate from the findings in this report. All changes resulting from the recommendation based upon the survey and other system studies included in this report would be for implementation on July 1, 2012, subject to funding by the General Assembly.

It is the State's policy to compensate its employees competitive with the prevailing market and to recognize employee performance and contributions. The State's policy of performance pay is consistent with prevailing practices in the market, which is to include performance, market, and other base and non-base increases.

**SURVEY PROCESS**

A summary and highlights of the process used by the Department to conduct the annual compensation survey are provided in this report with the findings of the survey. The annual compensation survey process document published prior to conducting the survey may be found on the Division's Web site at <http://www.colorado.gov/dpa/dhr/TotalComp>.

Pursuant to C.R.S. 24-50-104 (4)(a), the annual compensation survey is to be based on an analysis of surveys published by public or private organizations that include a fair sample of public and private sector employers. The two primary third-party survey sources used to conduct the FY 2012-13 compensation survey are Mountain States Employers Council (MSEC) and Central States Compensation Association (CSCA). Other survey sources used include the Economic Research Institute (ERI) and Segal Company. Appendix A contains a list of all specific third-party surveys used.

Not all survey publications or their participants utilize the same effective date for collection of data. In order for all survey data to have a common effective date (i.e., July 1), the Department projects (ages) pay rates and benefit premiums by applying relevant trend factors.

## SALARY SURVEY FINDINGS

- To project all salary rates reported in the market to July 1, 2012, the Department applied the most recent annual Employment Cost Index (ECI) – Wages and Salary for all Civilian Workers. The ECI is published quarterly by the U.S. Department of Labor, Bureau of Labor Statistics (BLS), and reflects the change in employment costs for civilian workers. The ECI is an estimate of wage adjustments from year to year; the most recent estimate of 1.61 percent from March 2011 was used by the Division to age market data. Based upon the most recent version of published third-party surveys, market data may be projected up to 24 months.
- To project medical and dental benefit premium rates reported in the market to July 1, 2012, the Division used the *2011 Segal Health Plan Cost Trend Survey*. Cost increase trend factors of 10.5 percent for medical plans and 5.5 percent for dental plans were used to project market premium rates. This is a consistent trend from last year's survey findings.

Five published surveys were used for the collection of salary data from public and private sector employers in Colorado and state governments across the central and northwest regions (listed in Appendix A). The ERI geographic assessor was used to adjust out-of-state data based on geographic differentials in average wage and income (adjustments are detailed in Appendix B). The Department participates in the development and review of benchmark jobs included in the published surveys, in conjunction with other participating survey organizations.

- Benchmark jobs serve as the market anchor points because they are comparable to jobs readily identifiable and commonly found in the marketplace, are used to compare the State's salary data in relationship to the market, and to validate the State's internal pay relationships.
- The Division's Compensation Unit reviews the survey benchmark descriptions to determine whether the State has jobs that are comparable, verifying job duties through class descriptions, position description questionnaires (PDQ), job announcements, and confirmation from Human Resources professionals and subject matter experts in departments where positions are assigned.
- The Compensation Unit conducts a second review of benchmark matches once all survey data are collected and compiled for analysis to ensure the validity of matches and verify the accuracy of data collected. This follows and is in addition to the validation of data performed by the third-party organizations conducting the surveys.

One published survey source was used for the collection and comparison of data on group benefit plans including the largest (1,000 or more employees) public and private sector employers within Colorado. Data from this survey was used to analyze plan premiums, employer and employee cost sharing, and plan design features. Tables outlining the detailed findings are provided in Appendix D, with overall findings summarized in the Group Benefit Plan section of this report.

### **MARKET TRENDS IN SALARY PLANNING**

The Division used salary increase projections collected from the MSEC *2011 Colorado Benchmark Compensation Briefing* to assess prevailing market practice for planned pay structure and total actual salary increases for 2012. Total salary increases are defined as all increases market employers plan for the upcoming year through various compensation programs, such as merit, performance, longevity, across-the-board, cost of living, market, and other base and non-base increases to actual salaries.

Findings from the MSEC March 2011 survey estimate salary increase projections at 2.3 percent in 2012 for private and public sector employers in the Denver metropolitan area. MSEC projections for pay structure increases in 2012 are estimated at 1.4 percent for private and public sector employers in the Denver metropolitan area. Pay structures are used to establish a range of pay for jobs and generally are not automatically included as part of the salary increase. Local market trends collected and published by MSEC are typically more conservative than nationwide trends published later in the year by WorldatWork and Hewitt.

### **MARKET DATA COLLECTION**

The Department collected and reviewed data on numerous survey benchmarks. Following reviews of the benchmark matches and data collected, the final analysis and summary included market comparisons to 162 (32 percent) of 496 of the State's classes (includes trooper classes; excludes trainee and temporary classes) representing approximately 24,242 (72 percent) of 33,576 employees in the State Personnel System.

Data reported in published surveys are in various formats, thus have been adjusted to reflect common and consistent figures to draw valid comparisons. All market rates were adjusted to monthly figures based on full-time hours for direct comparison to state salaries; and, all data were projected (aged) based on the effective dates of data collection reported by each survey to reflect the common effective date of July 1, 2012.

Because geographic markets are different across the nation, geographic differential factors were collected by referencing the Economic Research Institute's (ERI) Geographic Assessor Report. Salary data from other state governments (the only survey market employers outside Colorado) were adjusted to Colorado income levels using the ERI assessor. The geographic figures reflecting wage and salary differentials by the average of each state are provided in Appendix B.

Published survey data are reported in various labor market groups including industry, geographic region, and by individual organization in public sector surveys. Where data were reported by individual organizations, the Department summarized data into an aggregate format by calculating the median (50<sup>th</sup> percentile) and weighted average of actual salaries reported and the average of salary range midpoints reported for that survey source. State data were excluded from the aggregate where applicable. For the Trooper classes, individual salary data in the market was summarized by calculating the weighted average of actual salaries reported. In all surveys where midpoints were not reported, the Department calculated the midpoints using the reported minimums and maximums.

The Department applied technically and professionally sound compensation industry guidelines, including those recommended by the U.S. Department of Labor, WorldatWork, and the Sherman Antitrust Act, to ensure integrity of all data. With the exception of methodology specifically directed by C.R.S. 24-50-104 (1)(III)(A) for conducting the survey of Trooper classes, benchmarks and salary data with fewer than five data points reported for both salary and salary range figures were excluded from the comparisons, because fewer than five data points is considered an insufficient sample for drawing comparisons.

### **SUMMARY OF BENCHMARK COMPARISONS**

Following a review and validation of summary results of each published survey, the Department combined final market results to conduct individual comparisons of the State's classes to survey benchmarks. A summary of findings are provided on the following pages that reflect the comparisons of state salaries and salary range midpoints in relationship to the market salaries and range midpoints. For each benchmark, the Department compared the State's weighted average salary in relationship to the market median (50<sup>th</sup> percentile) salary and the market weighted average salary. For pay structures, the Department compared the State's salary range midpoint to the market average range midpoint for each given benchmark.

For Trooper classes, C.R.S. 24-50-104(1)(III)(A) outlines two provisions for determining the prevailing market and adjusting salaries that differ from other classes. First, statute defines the labor market for Trooper classes to include the three highest-paid, large (more than 100 commissioned officers) law enforcement jurisdictions within Colorado, which were identified in this year's survey as the cities of Denver, Fort Collins, and Lakewood. There has been a consistent trend in these highest-paid jurisdictions interchangeably with the City of Aurora and Douglas County. Second, salary adjustments for the Trooper classes are to be at least 99 percent of the average actual salary for its defined market. The Department compared the State's weighted average salary in relationship to 99 percent of the market weighted average for each benchmark surveyed.

In each of the benchmark comparisons, the percentage difference has been calculated between the State's salary figure and the market salary figure. The percent difference is a tool for comparing two data figures and this approach provides a means for the State to determine what percentage it would need to adjust its salaries or salary ranges, either upward or downward, to align with the market. For example, in comparing the salary range midpoints a positive percentage figure indicates the amount the State would have to increase its midpoint to align with the market midpoint and a negative figure indicates the percentage the State would need to decrease its midpoint to align with the market.

A summary of benchmark comparisons compiled by each occupational group and the overall difference found across all benchmark comparisons are provided in the following table. Comparisons of Trooper classes to market benchmarks are provided in a separate table.



**SALARY SURVEY FINDINGS**

<b>Comparison of State and Market Salaries and Midpoints</b>			
<b>Occupational Groups</b>	<b>State Salaries vs. Market Median Salaries <sup>1</sup></b>	<b>State Salaries vs. Market Weighted Average Salaries <sup>2</sup></b>	<b>State Midpoints vs. Market Midpoints <sup>3</sup></b>
Enforcement & Protective Services <sup>4</sup>	0.8%	5.1%	-6.1%
Health Care Services	9.7%	9.7%	4.0%
Labor, Trades & Crafts	5.9%	7.0%	4.4%
Administrative Support & Related	15.5%	16.0%	4.1%
Professional Services	2.2%	4.7%	1.3%
Physical Science & Engineering	-2.2%	-1.8%	-4.3%
<b>Overall Difference</b>	<b>5.2%</b>	<b>7.1%</b>	<b>0.9%</b>
<sup>1</sup> Weighted average of state salaries compared to median of market salaries <sup>2</sup> Weighted average of state salaries compared to weighted average of market salaries <sup>3</sup> Average of state midpoints compared to average of market midpoints <sup>4</sup> Does not include Trooper classes			

Overall findings suggest that the State’s salaries lag the market salaries by 5.2 to 7.1 percent, depending on the calculation methodology. In addition, the State’s salary range midpoints lag the market range midpoints by 0.9 percent. While the overall findings are within the target threshold as defined by the State (plus or minus 7.5 percent of the market) and by common compensation industry standards (within 5 to 10 percent of the market), adjustments are needed for the State to be prevailing. In fact, comparisons by individual benchmarks indicate the State’s actual salaries and salary range midpoints vary above and below the market by significant percentages for several job classes. These are considered outliers and require further review of market and internal alignment. The Department plans to redesign the pay structures and incorporate the analysis of and adjustments to these “outlier” job classes to address the internal pay relationships relative to external market pay, provide a sound basis to address inconsistencies in state pay relative to market, and build a framework for making meaningful annual salary adjustments.

Benchmark comparisons for the Trooper classes are provided in the table below. The percent difference reflects the adjustment needed to reach 99 percent of the market average salaries. Insufficient data were reported by the defined market for State Patrol Intern and State Patrol Trooper III and are not included in the summary.

<b>Comparison of State and Market Salaries for Troopers</b>	
<b>Trooper Job Classes</b>	<b>State Salaries vs. Market Weighted Average Salaries <sup>1</sup></b>
State Patrol Trooper	26.4%
State Patrol Supervisor	4.9%
State Patrol Admin I	6.2%
State Patrol Admin II	6.8%
<b>Overall Difference</b>	<b>20.9%</b>
<sup>1</sup> Weighted average of state salaries compared to 99 percent of weighted average of market salaries	

## SALARY SURVEY FINDINGS

Comparisons of the Patrol Supervisor, Administrator I and Administrator II indicate that the State's actual salaries are within the State's target threshold in relationship to the statutorily defined market; however, the actual salary for State Patrol Trooper is well below market. An increase of approximately 26 percent would be required to bring the average salary for the State Patrol Trooper class to 99 percent of the market. Salary data in the market for trooper class comparisons will be volatile due to the limited number of jurisdictions included in the statutorily defined market for the Trooper classes and because the jurisdictions meeting the market definition are subject to change each year.

### **Summary of Findings**

Overall, the comparison of the State's actual weighted average salaries and salary range midpoints in relationship to the market median salaries, market weighted average salaries, and range midpoints indicate that the majority of classes benchmarked are within a competitive position with the market. However, findings by individual benchmark comparisons and occupational groups indicate that salaries for some state classes surveyed are above or below the market median and market weighted average salaries, as are some of the State's range midpoints.

### **Other System Costs**

One system maintenance study is included in this report: the Collections Representative class series. A more detailed summary of the study findings is included in Appendix C of this document. The expected cost of these changes is estimated to be \$87,826. PERA and Medicare costs are included in the calculations.

### **TOTAL NEW COST ESTIMATED FOR SALARY ADJUSTMENTS**

The total estimated cost to adjust salaries to reach the market median salary identified for each occupational group and 99 percent of the market average salary for the trooper subgroup is **\$89,816,288**, including the associated PERA, AED, SAED, and Medicare costs.



## **GROUP BENEFIT PLANS**

The Department collected data on market trends and practices in medical, dental, and life insurance benefits for comparison of plan costs and cost-sharing features including, but not limited to, premium rates and the employer and employee share of contributions toward premiums and cost-related features of plan options such as member co-pays/co-insurance for prescriptions, office and emergency care visits, deductibles, and out-of-pocket maximums. Cost-sharing data and plan design features are used to ensure the State's group benefit plans are competitive with the prevailing market and support decisions on designing cost-effective plan options. The most common practices are reported as well as the value of benefit plan features, where applicable.

To determine prevailing market practices in terms of medical and dental premiums and premium cost-sharing, the Department used the average of PPO, HMO, and HDHP plans reported in the market weighted by the State's plan enrollment projected to the State's plan implementation date of July 1, 2012. The State has implemented two measures of prevailing market practices: the first, assessing the actual dollar value of market employer contributions to premiums; and the second, assessing the percentage share of market employer contributions to premiums. While both are valid measurements, the market dollar contributions are more restrictive in terms of the cost-sharing. For example, if the State experienced a greater increase in premium costs than the market, applying the market dollar value to determine state contributions would result in passing a greater percentage share of the premium cost to the employee. Using the percentage share of premium contributions in the market will provide a consistent rate for maintaining the State's level of competitiveness with prevailing market practice. Although the long-term strategic goal is to reach 100 percent of prevailing market contributions to medical plan premiums, budget shortfalls have resulted in maintaining the State's contributions levels at approximately 90 percent of market for four consecutive years.

The Department also collected data that monitors healthcare-related trends impacting overall costs, including new laws and regulations, utilization, claims, and other practices that are used to project increases in premium rates and employer costs in the market as well as the State's plans. Cost increase trends are used to project all data to a common point in time; specifically, to the new plan year, which begins July 1, 2012.

Data on market premiums, the employers' share of premiums, and related cost-sharing design features of benefit plans were collected from the *MSEC 2011 Health and Welfare Plans Survey* representing the practices of the largest private and public sector employers across Colorado. Medical and dental insurance cost increase trend information on market practices were collected from the *2011 Segal Health Plan Cost Trend Survey*.

Appendix A lists all third-party survey reports used. Detailed comparisons and survey findings on group benefit plans are provided in Appendix D, Tables 1 through 6.

### **Medical Plan – Summary of Findings**

For the medical plan comparisons, the Department used data reported in the market on plan options and plan tiers comparable to those provided by the State for FY 2011-12. The State's

## GROUP BENEFIT SURVEY FINDINGS

medical plan includes two self-funded Preferred Provider Organization (PPO) options, a co-pay option and a High Deductible Health Plan option (HDHP, HSA-qualified) and two fully-funded Health Maintenance Organization (HMO) options, a co-pay option and a HDHP option (HSA-qualified). The State provides a four-tier premium schedule for coverage of the employee, employee plus spouse, employee plus children, and employee plus family. Based on data collected in the MSEC survey (Table 2a), the State is comparable with market employers by offering the most common medical plan options, (PPO, HMO, and HSA-qualified) to its employees.

Medical cost trend is influenced by a number of complex factors including, but not limited to, medical cost inflation and cost-shifting. Cost increase trends projected in the market for 2011 have remained somewhat consistent with last year showing an average increase projected at 10.5 percent, which has been applied to project current market and state premiums to FY 2012-13. Overall, these projections are intended to ensure the State keeps up with cost increases in the market. Health care costs continue to outpace wage increases, especially in light of the lack of salary increases experienced by the State and other market employers.

A comparison of the market employer percentage share of contributions in relationship to the State's share of contributions indicates the State's share is lower at approximately 72 percent than market at approximately 77 percent. The market reflects the overall percentage for the PPO, HMO, and HDHP plans, all tiers, reported by the largest employers; the State's share reflects the overall percentage for all plan options offered and all tiers. Based on this comparison, the Department used the percentage share of market employer contributions as the foundation for adjusting the State's percentage share of premium contributions. The Department also analyzed the ratios of prevailing market contribution dollars between each tier and the employee only tier. The Department then projected the State contribution dollars for all tiers that mimic the market tier ratios.

Overall, the State's medical plan options are comparable to the market in terms of basic cost-sharing features such as co-pays, coinsurance responsibility, deductibles, and out-of-pocket maximums (Table 2b). As it relates to coverage, the State's medical plan options provide typical and prevailing coverage that includes inpatient care, office visits, psychiatric care, substance abuse programs, prescription drugs, outpatient surgery, home health care and hospice, well baby care, annual physical, nurse line, maternity management, chiropractic, first-dollar preventive care, chronic disease management, and pre-tax flexible benefits.

Other changes in healthcare that will impact medical plans and costs for the State (as well as other market employers) to be phased in over the next eight years, are provisions of the Patient Protection and Affordable Care Act (PPACA) and the Health Care and Education Reconciliation Act of 2010 (HCERS), collectively referred to as the Affordable Care Act (ACA). Findings reported in the *International Foundation Survey on Health Care Reform* (published May 2011), indicate that employers anticipate cost increases of 1 to 2 percent as a result of health care reform with primary reasons due to coverage of dependent children up to 26 years old (already implemented by the State); administrative costs; cost shifting due to reduced payments to providers from Medicare and Medicaid; and, new reporting disclosure and notification requirements. The Department has added 1.5 percent to projected premium costs in response to

## GROUP BENEFIT SURVEY FINDINGS

this reported trend. In addition, the Department has added to cost estimates, the ACA Comparative Effectiveness fee of \$1.00 per covered member for six months of the plan year, to be implemented January 1, 2013. These additional costs have been included in the overall cost increases estimated for medical, dental and life insurance plans, as appropriate.

### **Dental Plan – Summary of Findings**

For the dental plan comparisons, the Department used data reported in the market on plan options and plan tiers comparable to those provided by the State for FY 2011-12. The State's dental plan includes two self-funded Preferred Provider Organization (PPO) options, the Basic and Basic Plus. The State provides a four-tier premium schedule for coverage of the employee, employee plus spouse, employee plus children, and employee plus family. Based on data collected in the MSEC survey (Table 3), the State's offering of a PPO option is comparable with market employers. However as described below, the State's plan design is not consistent with some features in the market.

The State has maintained lower dental premium rates over the past three to four years because the value of the plan reimbursement schedule is lower than the market. The State has used a more restrictive definition of what constitutes an eligible dental charge, which basically approves a lower cap for reimbursements, resulting in lower premium rates, but also a lower benefit value than prevailing market practices. This resulted in higher out of pocket costs for some employees. An analysis conducted by the plan provider's underwriting department, which reviewed 35 months of the State's dental claims data (July 2008 through May 2011) indicates that a cost increase of approximately 18 percent would be required to adjust the State's dental plans comparable with market. It is the Department's intent to remove this restriction for the plan year FY 2012-13, which would result in an 18 percent increase to total premium rates in addition to the projected market trend cost increase of 5.5 percent.

Similar to the medical benefits analysis, this year's survey included a comparison of the State's dental plan premium rates and premium contributions in relationship to the average percentage of contributions shared by employers in the market. The comparisons of premiums and premium contributions include the current market and state premium rates projected to July 1, 2012, using the average cost trend of 5.5 percent reported by *Segal* for dental plans and based on the findings reported above, an additional cost increase to the state premium rates of 18 percent. A comparison of the market employer percentage share of contributions in relationship to the State's share of contributions indicates the State's share currently is higher at approximately 67 percent than market at 50 percent. The market share is based on dental PPO plans reported by the largest Colorado employers, for all plan tiers, weighted by the State's projected enrollment for FY 2012-13. Again, this is due to the State's lower premium costs as explained above and the State's share will be closer to the market share once appropriate plan design changes are implemented.

The same method for adjusting the State's share of contributions to medical plan premiums was applied to adjust dental plan premium contributions for FY 2012-13, by using the percentage share of market employer contributions as the foundation for adjusting the State's percentage share. Costs for the State's share of premium contributions were also calculated using the dollar share of market employer contributions. The Department then projected the State contribution

## GROUP BENEFIT SURVEY FINDINGS

dollars for all tiers that mimic the market tier ratios. The results of the adjustments are included in the overall estimated costs to maintain the State's health, dental, and life insurance benefit plans for its classified employees in the FY 2012-13 plan year.

For the comparison of cost-sharing features in plan design (Table 3), the Department used the average of PPO plans reported in the market and both the State's PPO plan options. The State's dental plan options provide typical and prevailing coverage that includes diagnostic and preventive services; basic services such as restorations, periodontal treatment, root canal therapy, and extractions; and, major services such as crowns, bridges, and dentures. However, as noted earlier, the actual value of reimbursements by the State's plan have historically been lower than the market, which keeps the premium costs lower, but the overall percentage of reimbursement value to the plan member lower as well.

### **Life Insurance And Accidental Death & Dismemberment (AD&D) – Summary of Findings**

The Department collected data from the MSEC survey to compare the basic life and AD&D insurance benefits provided by market employers, including common practices relative to the share of premiums paid by the employee and employer and value of the benefit. Detailed comparisons are provided in Table 4.

Overall, benefits in life and AD&D insurances remain stable as reported by MSEC. The most common practice (93 percent of large employers offering a policy) is for the employer to pay 100 percent of the premium costs for the plan. The State provides 100 percent state-paid basic life insurance and AD&D of \$50,000 to all employees at a cost of \$9.40 per month per employee. The most common practice reported in the market in terms of the amount of insurance offered is a multiplier of one times the annual salary (47 percent of employers providing a policy), 1.5 times the annual salary (10 percent of employers), or two times the annual salary (27 percent of employers). A comparison of the equivalent dollar value using the market multiplier based on the State's average annual salary, if the State were to follow similar practice, is detailed in Table 4. Similar to the State, 17 percent of large Colorado employers provide a policy with a specific dollar amount, the average being \$48,000.

### **TOTAL NEW COST OF CONTRIBUTIONS TO GROUP BENEFIT PLANS**

To keep up with projected cost trend increases and enrollment trend increases, prepare for impacts of new healthcare reform laws, and provide group benefit plans (medical, dental, basic life and AD&D) that are competitive in terms of the shared contributions toward premiums by the State and employees, the increased cost based on an analysis of dollar contributions to premiums by market employers is estimated to be **\$40,896,134** for medical, dental, and basic life and AD&D. For the second measure, which is based on the percentage share of contribution to premiums by market employers, the increased cost is estimated to be **\$40,582,906** for medical, dental, and basic life and AD&D. Since there is no change in premiums for basic life and AD&D for FY 2012-2013, the estimated cost to maintain coverage for all eligible employees reflects an estimated 0.2% increase in eligible employees, which is the actual average change in workforce over the last three years.

**APPENDIX A – THIRD-PARTY SURVEYS**

<b>Organization</b>	<b>Publication</b>	<b>Component(s)</b>
<b>Economic Research Institute (ERI)</b>	<b>2010 Geographic Assessor Report</b>	<b>Salary</b>
<b>Mountain States Employers Council (MSEC)</b>	<b>2010 Colorado Compensation Survey</b>	<b>Salary</b>
<b>Mountain States Employers Council (MSEC)</b>	<b>2010 &amp; 2011 Public Employers Surveys</b>	<b>Salary</b>
<b>Mountain States Employers Council (MSEC)</b>	<b>2010 Information Technology Survey</b>	<b>Salary</b>
<b>Central States Compensation Association (CSCA)</b>	<b>2010 Central States Salary Survey</b>	<b>Salary</b>
<b>Mountain States Employers Council (MSEC)</b>	<b>2010 Health Care Compensation, Summer</b>	<b>Salary</b>
<b>Mountain States Employers Council (MSEC)</b>	<b>2011 Health &amp; Welfare Plans</b>	<b>Benefits</b>
<b>The Segal Company</b>	<b>2011 Health Plan Cost Trend Survey</b>	<b>Benefits Cost Trends</b>
<b>Mountain States Employers Council (MSEC)</b>	<b>2011 Colorado Compensation Survey</b>	<b>Salary Planning</b>
<b>International Foundation</b>	<b>2011 Survey on Health Care Reform: Employer Actions One Year Later</b>	<b>Federal Health Care Reform</b>

## APPENDIX B – SALARY SURVEY REFERENCE

### Geographic Differentials

Because geographic markets are different across the nation, geographic differential factors were collected by referencing the Economic Research Institute’s (ERI) *2010 Geographic Assessor Report*, effective April 2010. The geographic figures reflect wage and salary differentials by each geographic location (statewide averages).

The geographic figures reflect the average of each state for which salary data were collected from the CSCA survey. For making data comparisons, Colorado is considered to be the base state and all other states are compared to the base. For instance, if a state was +3.5 percent above, that state’s data were decreased by 3.5 percent to be comparable to Colorado’s geographic market; if a state was -4.3 percent below, that state’s data were increased by 4.3 percent. A differential of “1” means that it is equal to the State of Colorado’s geographic area.

State	Differential
Alaska – Statewide	15.2%
Arizona – Statewide	-4.2%
Arkansas – Statewide	-10.2%
Idaho – Statewide	-7.5%
Illinois – Statewide	4.4%
Indiana – Statewide	-4.0%
Iowa – Statewide	-6.2%
Kansas – Statewide	-6.5%
Louisiana – Statewide	-7.0%
Michigan – Statewide	3.5%
Minnesota – Statewide	1.8%
Missouri – Statewide	-3.2%
Montana – Statewide	-10.2%
Nebraska – Statewide	-8.0%
Nevada – Statewide	3.3%
New Mexico – Statewide	-8.3%
North Dakota – Statewide	-8.9%
Oklahoma – Statewide	-10.1%
Oregon – Statewide	2.6%
South Dakota – Statewide	-10.6%
Texas – Statewide	-4.6%
Utah – Statewide	-5.0%
Washington – Statewide	8.6%
Wisconsin – Statewide	-1.1%
Wyoming - Statewide	-8.6%
State of Colorado	1.0



**APPENDIX C – SYSTEM MAINTENANCE STUDY**

**SYSTEM MAINTENANCE STUDY**

C.R.S. 24-50-104(4)(c) and (6)(a) require that any study involving increased costs must be included in the annual compensation report for an effective date on the ensuing July 1. The study completed this year for inclusion in the report is the Collections Representative class series.

The final findings of the Collections Representative study are contained in JEL 11-02, published July 29, 2011. This class series is currently being used by five departments and institutions of higher education: Personnel and Administration, Labor and Employment, Colorado State University, University of Northern Colorado, and Metropolitan State College. Thirteen employees out of 16 total positions in three classes will have their salaries adjusted to higher grade minimums, with a cost of approximately \$87,826. The following information depicts the assumptions made in the calculation of increased costs for the Collections Representative study.

- Data was taken from CPPS as of April 30, 2011, and is assumed to be accurate as of that date.
- Only permanent, full-time positions are reported. Vacant, temporary, part-time and substitute positions are excluded.
- The implementation date of July 1, 2012, coincides with the presumed implementation of any annual compensation adjustments. In accordance with the Director's Rules regarding the order of multiple actions on the same effective date, system maintenance studies are implemented first. For this reason, these calculations use the final FY 2010-11 compensation plan values.
- In accordance with the Director's Rules, system maintenance studies are implemented on a "dollar-for-dollar" basis where an employee's current salary remains unchanged when a class is moved to a new grade. An exception is when a class moves upward and individual employee salaries that are below the new grade minimum are adjusted upward to the new grade minimum. Such adjustments to base salary represent increased cost.
- The estimated total first-year cost to implement this study is approximately \$87,826. PERA, AED, and Medicare costs are included in the calculations.

The pay grades recommended for each class are shown in the following table.

<b>Current Class</b>	<b>Current Grade</b>	<b>New Class</b>	<b>New Grade</b>
G4A1TX Collections Representative I	G23	G4A1TX Collections Representative I	G32
G4A2XX Collections Representative II	G30	G4A2XX Collections Representative II	G39
G4A3XX Collections Representative III	G46	G4A3XX Collections Representative III	G55



## APPENDIX D – GROUP BENEFIT PLAN COMPARISONS

### **Group Benefit Plan Comparisons**

Summarized in the following tables are comparisons of medical, dental, and basic life insurance plan features, cost-sharing, and benefit amounts. Comparisons were made based on the market weighted average of all plans offered or percentage of market employers offering a plan relative to the State's plan options or weighted average of all options (see notes under premium comparisons). Premium rates, plan features, and cost-sharing data for Colorado large employers were collected from the MSEC *2011 Health and Welfare Survey*.

**Table 1** – Provides the most common types of plans provided and benefits offered are reported as a percentage of the total number of organizations offering a policy. Because employers may offer multiple plans, the percentages of plans provided will not add up to 100 percent.

**Tables 2a & 2b** – Provide information regarding the medical plan options and cost-sharing features of the plans offered by the largest Colorado market employers in comparison to the State's plan options such as the members' share of co-pays and co-insurance, deductibles, and out-of-pocket maximums.

**Table 3** – Provides information regarding the dental plan options and cost-sharing features of the plans offered by the largest Colorado market employers in comparison to the State's plan options such as the most common plans offered, maximum benefits, and common plan coverage.

**Table 4** – Summarizes the most common practices reported by the largest Colorado market employers related to basic life insurance plans and value of the benefits in terms of the State's average employee salary.

**APPENDIX D – GROUP BENEFIT PLAN COMPARISONS**

**TABLE 1 - MEDICAL PLAN BENEFIT OPTIONS**

<b>Types of Medical Plans Offered*</b>	<b>Market % of Org's Providing Plan</b>	<b>State Plan Offered?</b>
Preferred Provider Organization (PPO)	70%	Yes
Consumer Driven Health Plan (HSA/HRA)	47%	Yes (HSA qualified option)
Health Maintenance Organization (HMO)	40%	Yes
<b>Pre-Tax Flexible Benefit*</b> (Section 125/Section 129)		
Premiums & Health Care Spending Account	93%	Yes
Dependent Care Plan	90%	Yes

*\*Most common options reported in market.*

**TABLE 2a - MEDICAL PLAN OPTIONS, COST-SHARING FEATURES**

<b>Employee Cost</b>	<b>Market</b>		<b>State</b>	
	<b>PPO Plans</b>	<b>HDHP Plans</b>	<b>PPO Co- Pay</b>	<b>PPO HDHP</b>
<b>Office Visit Copayment/Coinsurance</b>				After deductible
Primary Care	\$35 co-pay	N/A	\$30 co-pay	20%
Emergency Care	\$300 co-pay	N/A	20% after deductible	20%
<b>Prescriptions, Pharmacy Co-Pay</b>				After deductible
Generic	\$10	\$10	\$10	\$10
Formulary Brand	\$27	\$26	\$25	\$25
Non-Formulary Brand	\$50	\$49	\$50	\$50
<b>Prescriptions, Mail Order (Up to 90-day supply)</b>				After deductible
Generic	\$20	\$28	\$25	\$25
Formulary Brand	\$66	\$75	\$62.50	\$62.50
Non-Formulary Brand	\$109	\$131	\$125	\$125
<b>Annual Deductible</b>				
In-Network (Individual)	\$800	\$2,090	\$1,500	\$1,500
In-Network (Family)	\$1,740	\$3,980	\$3,000	\$3,000
Out-of-Network (Individual)	\$1,810	\$5,250	\$3,000	\$4,500
Out-of-Network (Family)	\$3,970	\$9,830	\$6,000	\$9,000
<b>Out of Pocket Maximum</b>				
In-Network (Individual)	\$2,870	\$3,250	\$5,000	\$3,000
In-Network (Family)	\$6,070	\$6,500	\$10,000	\$6,000
Out-of-Network (Individual)	\$6,180	\$11,360	\$10,000	\$9,000
Out-of-Network (Family)	\$13,190	\$22,720	\$20,000	\$18,000

**APPENDIX D – GROUP BENEFIT PLAN COMPARISONS**

**TABLE 2b - MEDICAL PLAN OPTIONS, COST-SHARING FEATURES**

Employee Cost	Market		State	
	HMO Plans	HDHP Plans	HMO Co-Pay	HMO HDHP
<b>Office Visit Copayment/Coinsurance</b>				
Primary Care	\$43 co-pay	N/A	\$30 co-pay	10% coinsurance
Emergency Care	N/A	N/A	\$100 co-pay	10% coinsurance
<b>Prescriptions, Pharmacy Co-Pay</b> (Three tier copay most common)				After deductible
Generic	\$12	\$10	\$10	\$10
Formulary Brand	\$30	\$26	\$30	\$40
Non-Formulary Brand	\$47	\$49	--	--
<b>Prescriptions, Mail Order</b> (Up to 90-day supply)				After deductible
Generic	\$23	\$28	\$20	\$20
Formulary Brand	\$61	\$75	\$60	\$80
Non-Formulary Brand	\$100	\$131	--	--
<b>Annual Deductible</b>				
In-Network (Individual)	\$710	\$2,090	No deductible	\$1,200
In-Network (Family)	\$2,040	\$3,980	No deductible	\$2,400
Out-of-Network (Individual)	N/A	\$5,250	N/A	N/A
Out-of-Network (Family)	N/A	\$9,830	N/A	N/A
<b>Out of Pocket Maximum</b>				
In-Network (Individual)	\$2,080	\$3,250	\$1,000*	\$2,500
In-Network (Family)	\$4,820	\$6,500	\$3,000*	\$5,000
Out-of-Network (Individual)	N/A	\$11,360	N/A	N/A
Out-of-Network (Family)	N/A	\$22,720	N/A	N/A

\*Co-pays do not apply to out-of-pocket maximum.

**APPENDIX D – GROUP BENEFIT PLAN COMPARISONS**

**TABLE 3 - DENTAL PLAN BENEFIT OPTIONS & COST-SHARING FEATURES**

Types of Dental Plans Offered	Market % of Org's Providing Plan	State Plan Offered?	
		Basic	Basic Plus
Dental PPO	90%	Yes	
Dental HMO	23%	No	
Group Indemnity	13%	No	
Maximum Benefit (Per person per year)	PPO Plans	Basic	Basic Plus
\$1,000	11%	\$1,000	--
\$1,200-\$1,250	15%	--	--
\$1,500	44%	--	--
\$2,000	22%	--	\$2,000
Maximum Lifetime Orthodontic Benefit (Per person)	\$1,524	N/A	\$2,000
Miscellaneous Plan Features (Most common)	PPO Plans	Basic	Basic Plus
Deductible applies to basic & major coverage, but not preventive	85%	Yes	Yes
Orthodontics covered for children	96%	No	Yes
Orthodontics covered for adults	56%	No	Yes

*Deductibles not reported in the market survey source.*

**TABLE 4 - BASIC LIFE AND ACCIDENTAL DEATH & DISMEMBERMENT INSURANCE**

	Market % of Org's Providing Plan	State Plan Offered?
<b>Life Insurance Offered as a Benefit</b>	100%	Yes
<b>Premium Costs - Paid by Employer</b>		
Basic Life Insurance	93%	Yes
Basic Accidental Death & Dismemberment	83%	Yes
<b>Value of Basic Life Insurance</b>		
Provided as a specific dollar (\$) amount	17%	Yes
Average value	\$48,000	\$50,000
Provided as a multiple of annual base salary	% of Org.s Providing Plan	\$ Value if State Offered*
1x base salary	47%	\$51,096
1.5x base salary	10%	\$76,644
2x base salary	27%	\$102,192

*\*Value estimated using the State's average annual salary of \$51,096, effective May 2011.*