

## STATE OF NORTH CAROLINA 2015 Compensation & Benefits Report



SUBMITTED BY  
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# TABLE OF CONTENTS

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<b>I.</b>	<b>Executive Summary and Recommendations</b>	<b>1</b>
<b>II.</b>	<b>Introduction</b> NC Pay Philosophy	<b>3</b>
<b>III.</b>	<b>Total Compensation</b> Total Compensation Model Salary and Benefits as a Percentage of Total Compensation	<b>3</b>
<b>IV.</b>	<b>Economic Review</b> Wage and Salary Trends Consumer Price and Employment Cost Indices Recruitment and Retention	<b>5</b>
<b>V.</b>	<b>Base Pay and Labor Market Analysis</b> Methodology Findings Additional Analysis Longevity	<b>7</b>
<b>VI.</b>	<b>Benefits Analysis</b> Paid Time Off Analysis Health Insurance Statewide Flexible Benefits Program (NC Flex) Retirement	<b>12</b>
	<b>APPENDIX</b>	<b>16</b>
	• <i>History of Legislative Increases for N.C. Employees 1992-2014</i>	
	• <i>NC Pay Comparison to CPI and Average Market Movement</i>	
	• <i>Turnover and Aging Trends</i>	
	• <i>Market Survey Library</i>	
	• <i>Benchmark Classes and Labor Market Analysis</i>	

# COMPENSATION & BENEFITS REPORT

February 2015



## I. EXECUTIVE SUMMARY

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This Compensation & Benefits report responds to the requirements expressed in NCGS 126-7.3 [State Human Resources Act] to guide the Governor and the General Assembly in making funding appropriations for State employees' salary increases. The results of the compensation survey are presented to the Appropriations Committee of the House and Senate no later than two weeks after the convening of the legislature in odd years (February 11 this year) and May 1 of even years. The report addresses current economic and labor market conditions and sets the stage for strategic planning to address them.

Key to the discussion of state employee compensation is OSHR's ongoing Statewide Compensation System Project. Senate Bill 402, the Appropriations Act of 2013, established a reserve to fund this Study. The legislation required a status report to the General Assembly in May 2014 which was delivered along with last year's Compensation and Benefits Report. Since that time OSHR has acquired a market analysis and modeling technology tool (MarketPay) that has enabled more valid, timely and accurate labor market comparisons and costing scenarios. OSHR is also in the process of implementing a position description collection/workflow tool (PeopleAdmin); developing a proposed new classification framework; and moving towards a targeted implementation of January 2016 for the Study.

Legislative support for Study recommendations and outcomes; pay innovations and market- and performance-based reward systems; aligning benefits programs with the market; and attention to work life balance issues will help create an environment in which state employees can be successful and engaged in serving North Carolina's citizens.

A \$1,000 flat increase was granted to state employees across the board in 2014. Consistent with past legislative increases, 2014's adjustments were not reflective of such relevant economic indicators as the Consumer Price Index or average market movement. Across-the-board salary adjustments as typically granted by the Legislature "reward" employees with the same increase regardless of their level of contribution or value to the employing organization.

Legislative restrictions on equity and market-based salary increases were in place for three years prior to 2012 and again in 2013-2014. While these were lifted in 2014-2015, their impact is still being felt in agency and university efforts to recruit and retain employees. For North Carolina to manage its talent effectively, its compensation programs must eventually change from a "one size fits all" mentality to a performance culture that assigns more value to high-performing employees in key roles. Among the recommendations from the Statewide Compensation System Study, this includes seriously examining options to progress employees within their salary range based on their market worth and contributions, and utilizing compensation tools other than across-the-board base pay increases for recognizing and rewarding excellent performance.

In continuing difficult financial times, we must pursue creative ways of attracting and retaining high performing employees. This is especially critical as the “Baby Boomer” generation begins to age out of the labor market over the next several years. The average age of the state workforce continues to increase, and the need to recruit a new generation of employees is paramount. This next generation wants more flexibility in their total rewards package (direct compensation, benefits, development and work-life programs).

## **Recommendations:**

- The Office of State Human Resources should be charged with implementing a fully funded and unified compensation system across state government.
  - Across-the-board increases should be discontinued and the funding repurposed for market and – eventually -- performance based increases. Consideration should be given to funding future legislative increases as a salary budget with increases apportioned based on market position in order to keep state employees’ salaries in line with overall labor market trends and maintain competitiveness.
  - In order to ensure market competitiveness, state leaders should charge the Office of State Human Resources (in consultation with the Office of State Budget and Management) with establishing a process to set priorities and request funding for labor market increases and salary adjustment funds based on criticality, turnover and market position. OSHR and state agencies should evaluate job-specific turnover in order to identify critical needs.
  - A fair, equitable and consistently funded mechanism is needed for moving state employees within their salary grade or band. Employees need a “line of sight” for career growth and salary advancement.
  - Continue to explore new and innovative pay practices and make appropriate modifications to the State Human Resources Act to allow for their use.
- OSHR and state agencies are currently rolling out a new performance management system. Once successfully implemented an allocation should be provided to each agency and university to use to reward employees based on performance.
- As it has no basis in performance, evaluate the continued use of the longevity bonus as a pay delivery mechanism.
  - Support the ongoing funding of the Office of State Human Resources’ Human Capital Management System, Learning Management System (LMS) and Performance Management components; and the Statewide Compensation System Project’s Market Analysis and Modeling tool (MarketPay) and Position Description Writing and Workflow tool (PeopleAdmin).
  - Support the Office of State Human Resources’ development of an intern program with the community college and university systems that would offer the opportunity to supplement workforce needs while exposing students to state government operations.
  - Research coordination of post-tax supplemental benefits and consolidate all supplemental benefit plan offerings in a menu approach for portability and cost savings. A consolidation would allow employees to see all benefits offerings in one place and select plan products that meet their needs.

## II. INTRODUCTION

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This report conveys economic and pay trends, findings and data derived from compensation and benefits surveys that the Office of State Human Resources regularly analyzes to determine whether or not salary ranges, rates and average salaries for state classifications and benefits for employees are competitive in the labor market. The report summarizes key findings and comparative data showing the relationship of the state's wages and compensation programs to those of competitors in both the private and public sectors, as well as in relation to talent management trends both nationally and internationally.

### **North Carolina's Pay Philosophy**

The State Human Resources Act, G.S. 126, states *"It is the policy of the State to compensate its employees at a level sufficient to encourage excellence of performance and to maintain the labor market competitiveness necessary to recruit and retain a competent workforce."*

Traditionally, statewide salary adjustments have come in the form of an across-the-board increase granted by the legislature which recognizes neither market conditions nor employee performance. Also, the State Human Resources Act prohibits such modern-day pay programs as monetary incentive awards. Pay increases are determined by the Legislature. Organizations continue to look to variable pay as they struggle to afford and sustain compensation levels. Additional flexibility in this area will help the state to remain competitive. Once the new performance management system is fully implemented, understood and validated, ***an allocation should be provided to each agency and university to use to reward employees based on performance.*** Pay as a performance reward – even small lump sum payments for milestone achievements -- is widely utilized in the modern workplace and is considered more effective than across-the-board base pay increases. However, implementing programs like this for N.C. state government would require strong support from the legislature.

***The State Human Resources Act needs to continue to be modified to allow for innovative pay practices to occur, and the Office of State Human Resources should be charged with fully implementing compensation systems across state government.***

## III. TOTAL COMPENSATION

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*Total compensation* measures an employee's base salary, benefits and other perquisites that the employer provides. When comparing compensation with that of other employers, whether public or private, the focus is on total compensation rather than base pay. This report includes comparisons of base pay as well as fringe benefits. It is important for employees to be knowledgeable of the value of their employment in terms of base pay, benefits, and other pay-related assets. When analyzing compensation surveys, base pay is often the common denominator in developing a comparative standard by which we can determine whether or not North Carolina state government compensation is competitive in various labor markets.

Employee benefits are key ingredients in a total compensation package. A competitive benefits package is a primary attractor in the recruitment of prospective employees, particularly in difficult-to-recruit occupations. Benefits are equally critical in the retention of high performing employees. Benefits as a percentage of average base pay are depicted in the chart below.

The state communicates this important aspect of employees' compensation to both current and prospective employees through the use of a web-based total compensation calculator. OSHR is also currently examining the feasibility and cost of implementing a unified total compensation statement for employees.

## Total Compensation Model

**Table 1: Benefits as a Percentage of AVERAGE SALARY & WAGES (Calculated as of 12-31-14)**

BENEFIT CATEGORY	PERCENTAGE OF AVERAGE SALARY	AVERAGE VALUE
Holidays (12 days)	4.62%	\$2,023
Sick Leave (12 days)	4.62%	\$2,023
Vacation Leave (17 days)	7.69%	\$3,367
OASI – DI [Social Security]	7.65%	\$3,350
<b>Retirement &amp; Disability</b>		
<ul style="list-style-type: none"> <li>• Retirement Systems Pension Fund 9.15%</li> <li>• Death Benefit Trust Fund 0.16%</li> <li>• Retiree Health Plan Reserve 5.37%</li> <li>• Disability Income Plan 0.44%</li> </ul>	15.12%	\$6,620
Health Insurance	12.14%	\$5,377
Longevity Pay	1.50%	\$657
<b>Total Benefit Value</b>	<b>53.48%</b>	<b>\$23,417</b>
In determining the <i>Percentage of Average Salary</i> , the average state employee’s years of service are 12.0 years and average state employee salary is \$43,785. The total benefit value is added to employees' base pay to determine <i>Total Compensation</i> .		
	<b>Average Base Pay</b>	<b>\$43,785</b>
	<b>Average Benefit Value</b>	<b>\$23,417</b>
	<b>Average Total Compensation</b>	<b>\$67,202</b>

*Sources: Office of State Human Resources, State Health Plan, Office of State Budget and Management and the NC Retirement Systems Division*

Once Average Total Compensation is derived, Salary and Benefits can in turn be calculated as a *Percentage of Total Compensation*. This allows for comparisons to be made between N.C.’s Average Percentage of Total Compensation and national trends, as seen in Table 2. This analysis indicates that North Carolina’s salary and wages generally do not make up quite as large a portion of total compensation as is seen nationally, while N.C.’s paid time off and retirement benefits generally outpace national averages when expressed as a percentage of total compensation. N.C.’s portion of total compensation dedicated to health insurance and social security lags the national average. Note that this analysis generally includes only annually budgeted compensation items; other “variable” compensation and benefits such as overtime pay, workers compensation and unemployment are not included.

**Table 2: Salary and Benefits as a Percentage of TOTAL COMPENSATION**

<b>Benefit Category</b>	<b>BLS Percentage of Total Compensation 2014</b>	<b>N.C. Average Percentage of Total Compensation 2014</b>	<b>N.C. Change From 2013</b>
<b>Salary &amp; Wages</b>	<b>70.8%</b>	<b>66.1%</b>	<b>-0.4%</b>
<b>Paid Time Off</b>	<b>7.2%</b>	<b>11.2%</b>	<b>-----</b>
<b>Health Insurance</b>	<b>8.8%</b>	<b>8.1%</b>	<b>-----</b>
<b>Retirement</b>	<b>5.3%</b>	<b>9.6%</b>	<b>+0.3%</b>
<b>OASI-DI (Social Security)</b>	<b>7.9%</b>	<b>5.1%</b>	<b>-----</b>

Sources: Office of State Human Resources, Office of State Budget and Management and the NC Retirement Systems Div., U.S. DOL Bureau of Labor Statistics “Employer Costs for Employee Compensation – December 2014.”

#### **IV. ECONOMIC REVIEW**

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##### **Wage & Salary Trends**

According to salary surveys conducted by national firms engaged in the practice of compensation planning and consultation, data collected for calendar year 2015 (budgeted) project base pay increase budgets shown in Table 3. Figures include merit, across-the-board, and cost-of-living pay increases.

**Table 3: Projected & Actual Base Pay Increase Budgets**

<b>National Firm</b>	<b>2012 Actual</b>	<b>2013 Actual</b>	<b>2014 Actual</b>	<b>2015 Projected</b>
William Mercer	2.7%	2.8%	2.9%	3.0%

Note: The above are projected and actual base pay salary increase percentages of payroll.

Source: Mercer Human Resources Consulting 2014-2015 US Compensation Planning Survey

Projected and actual wage increases have remained fairly stable at the national level for the best part of 2000-2009 at or about the 4% percent level. However, with worsening economic conditions, actual wage increases declined dramatically in 2009. They have increased slightly each year since, but still are not approaching historical levels. Analysis of data from a variety of national consulting and business firms in the  *Mercer Human Resources Consulting 2014-2015 US Compensation Planning Survey*  places the projected budgeted average wage increase for 2015 at 3.0%.

In North Carolina, annual salary increases for state employees were less than average market movement in all but two of the last ten years. Even when factoring in the above-market legislative increases in 2006 and 2007, salary increases in state government have still cumulatively trailed average market increases by 10.45% since 2006. A history of legislative increases and chart comparing legislative increases to average market movement is included in the appendix of this report.

***Consideration should be given to consistently budgeting funds for year-to-year base pay increases in order to close these market gaps.***

### **Consumer Price and Employment Cost Indices**

In addition to general labor market movement, the increase in the Consumer Price Index-Urban (CPI-U) for the 12-month period ending in December 2014 was 0.8%. This percentage measures the average change over a specific period of time in the prices paid by urban consumers for goods and services. The CPI-U includes all urban consumers that are roughly 87% of the population in the United States. Most pay increases for state employees have included a cost-of-living component, but these have never been reflective of CPI.

The cost-of-living portion of annual legislative increases from 2003 to 2014 trailed the CPI-U percentages for the same time period, with the exception of 2006-2008 and 2014. This differential reflects that compensation for state employees has historically not kept pace with the consumer price index. Even when factoring in above-market legislative increases in 2006 and 2007, salary increases in state government have still cumulatively trailed CPI by 4% over the last ten years, effectively decreasing employee “buying power.” A chart comparing legislative increases with CPI is included in the appendix of this report.

### **Recruitment & Retention**

Many factors affect the capacity of an organization to recruit and retain a competent and qualified workforce. Given the organizational and occupational diversity of North Carolina's state government, there is no “one size fits all” solution to the myriad recruitment and retention issues facing its managers.

A key challenge to the state and employers in general is the “silver tsunami” expected to occur as the baby boomer generation ages out of the workforce. It is anticipated that in the next ten to twenty years this will mean a tremendous and potentially crippling loss of organizational knowledge as senior employees leave the workforce at an accelerated pace. An analysis of this anticipated trend is included in the “Turnover Rates” section of this report.

A significant improvement for state government recruitment occurred when the State of North Carolina launched the Enterprise e-Recruit system on January 9, 2012. The State was successful in moving from a resource intensive application process to an automated process that significantly increased efficiencies and produced a better overall customer experience. The system has been fully implemented by all Cabinet and Council of State Agencies and supports the full recruitment lifecycle. On January 23, 2013, the State of North Carolina reached a milestone in exceeding 1,000,000 job applications received since launch, greatly affirming the ease of use for our applicants and stability of the system.

## V. BASE PAY - LABOR MARKET ANALYSIS

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### Methodology

Public and private sector organizations rely upon salary and benefits surveys to ensure that they are making informed decisions about employee total compensation in terms of cost-effectiveness, recruitment and retention. Sound total compensation practices ultimately result in a workforce comprised of competent, skilled employees across multiple occupational areas. Their collective knowledge, skills and abilities directly relate to the accomplishment of the organization's mission and vision. Salary surveys are therefore critical in pricing jobs, diagnosing compensation problems, determining wage parity with market competitors, and in monitoring internal pay equity. Survey data is also essential to organizations in terms of analyzing pay trends, identifying effective pay practices, and establishing a systematic method for setting competitive pay ranges for job classes.

With the implementation of the MarketPay technology tool, OSHR is now able to quickly and efficiently market price jobs and model compensation structures both for the purposes of the Statewide Compensation System Project and ongoing maintenance of the system. A list of surveys to which OSHR subscribes and for which the data is accessible in MarketPay is located in the appendix.

Professional survey methodology standards are used to collect and analyze available salary survey data or to conduct surveys to gather pertinent market information. Survey methodology recognizes the following concepts that have been defined for informational purposes:

- *Market Base Salary* is the average rate of pay that competitors have reported through surveying in a classification similar to that found in state government.
- *Labor Market Pay Gap* is the relationship expressed in percentage terms between the state's average salary for a benchmark class and the average wage reported for a relevant labor market for that class.
- *Turnover Rate* is a percentage reflecting all separations from employment for both voluntary and involuntary reasons compared to the total number of employees over a span of 1 year.

### Findings

Market data collected for sixteen benchmark classes— representing approximately 15% of the state's workforce (agencies only, universities not included)— in this report were analyzed by staff in the Office of State Human Resources and indicate that the 2014 average wage for 3 of the 16 (19%) classes trailed the composite market rate by at least 10%. Table 4 lists the benchmark classes that trail the market as shown under "Market Pay Gap". Data indicating turnover for fiscal year 2013-2014 also have been included to give a more complete view of potential recruitment and retention issues for these classes. Additional data can be found in the appendix.

**Table 4: Selected Benchmark Classes**

Class Title	NC Average	Composite Market Rate	Market Pay Gap	# Incumbents	Turnover Rate
Info & Communications Spec II	47,027	55,482	-15.2%	48	9.9%
Public Safety Officer	35,968	40,338	-10.8%	67	22.4%
Social Worker III (MSW)	43,185	53,236	-18.9%	124	10.4%

Source: MarketPay analysis

Note: The State's average turnover rate for all occupations in fiscal year 2013-2014 was determined to be **11.8%**

### **New Graduates Starting Pay**

It is critical that the state attract and retain high quality younger employees to its workforce. With national trends showing a wave of retirements about to occur, younger employees will be more sought after in coming years than ever before. See analysis of turnover among 18-25 year old employees in the following section.

*One way to address this critical issue is through establishment and maintenance of an intern and co-operative education program. The Office of State Human Resources is currently exploring development of an intern program with the community college and university systems that would offer the opportunity to supplement workforce needs while exposing students to state government operations.*

### **Use of Salary Adjustment Funding**

One tool that has helped keep salaries competitive in the past is the Salary Adjustment Fund. The Salary Adjustment Fund is used to increase salaries in occupational fields, such as those listed in Table 6, where some salaries are significantly below the market and turnover is trending up. The primary funding mechanism, transferring legislative increase funds remaining after employees receive their legislative increase, is often inadequate to address occupational areas where salaries are below the market. Due to economic instability, no Salary Adjustment Fund moneys were allocated 2008-2012 or 2014. In 2007, \$17.6 million was allocated to the SAF for agency and university requests totaling \$24.4 million. Total needs were considerably higher in 2007, and increased in 2008. \$7.5 million was allotted in 2013.

*In order to ensure market competitiveness, state leaders should charge the Office of State Human Resources (in consultation with the Office of State Budget and Management) with establishing a process to set priorities and request funding for labor market increases and salary adjustment funds based on criticality, turnover and market position. OSHR and state agencies should evaluate job-specific turnover in order to identify critical needs.*

## Additional Analysis

### Turnover Rates and Cost

Turnover rates vary among industries, organizations, geographic locations, departments, occupations, and by employee characteristics such as age, education, and organizational tenure. For example, younger, newer, unskilled, and blue-collar employees tend to have higher turnover rates than their contrasting groups. For this reason, turnover should be calculated for various categories of interest, as well as for the organization as a whole. For example, an organization may not have a severe organization-wide turnover rate, but may have a severe departmental turnover rate or a high professional employee turnover rate, which requires appropriate action to alleviate. Source: Society for Human Resources Management (SHRM)

The cost to an organization for each position turnover has been estimated by experts at anywhere from 50% to 250% of the departing employee's annual salary depending on the type of position being filled and the performance level of the departing employee. The Human Capital Institute places the average value of turnover at 150%. Turnover of top performers may be valued at an exponentially higher rate. There are many factors included in estimating the cost of turnover. Some obvious costs include advertising the vacancy; salaries of employment screening panels; and managers' time spent interviewing candidates. Other costs are not so easily quantified such as lost productivity – particularly during the time that a position is left vacant during recruitment -- or lost knowledge from the organization. Other costs include required onboarding, training, and higher rates of mistakes made by new hires. The high cost of turnover presents a clear argument for agencies and universities to engage in rigorous workforce and succession planning.

Turnover is a measure of employee separations from an agency or university most often expressed as turnover rate. Two types of turnover are tracked: Total turnover and Voluntary turnover. Total turnover includes all separations for any reason. The Total turnover rate is calculated by dividing the number of separations by the total number of employees at the beginning of a fiscal year. Voluntary turnover includes separations for reasons that the employee has control of such as resigning to take a job with another employer. Voluntary turnover rate is calculated by dividing the number of voluntary separations by the total number of employees at the beginning of the fiscal year.

Statewide turnover is simply a marker by which to compare job-specific turnover. The Office of State Human Resources should work with agencies and universities to evaluate job-specific turnover and the reasons behind it, which may or may not relate to pay.

**Table 5: FIVE YEARS OF TURNOVER RATES – STATE OF NORTH CAROLINA**

	FY 2009-2010	FY 2010-2011	FY 2011-2012	FY 2012-2013	FY 2013-2014
Voluntary T/O	5.6%	5.8%	5.0%	5.3%	7.0%
Retirement T/O	2.2%	2.6%	3.0%	3.0%	3.4%
Involuntary T/O	2.4%	1.9%	3.1%	1.3%	1.4%
Total T/O	10.2%	10.3%	11.1%	9.7%	11.8%

NOTE: Retirement turnover is questionable for 2008-2013 because of inconsistent reporting in BEACON and the University System's HR Datamart. 2013-2014 turnover reflects state agencies only. However, data appear to be relatively consistent with past years and economic trends.

In FY 2013-2014, state agencies had a 7.0% voluntary turnover rate. Using the HCI turnover value of 150% cost of turnover, the cost to the state would be more than **\$201 million** (7.0% of state 65,600 state agency employees is approximately 4,592, multiplied by average state salary \$43,785, multiplied by 150%). Because the cost of replacing human capital is so high, this underscores the need to closely monitor turnover, strive for competitive salaries, and maintain a positive work environment with high employee engagement levels. Simply put, uncompetitive salaries, poor working conditions and the low employee engagement that can come along with those conditions exacerbate turnover and needlessly cost the state hundreds of millions of dollars.

While the retirement rate has remained relatively steady in recent years, it is widely anticipated that the “baby boomer” generation will be leaving the workforce at a more accelerated rate in the next 3 to 10 years. This is especially critical in light of the fact that the state consistently has difficulty attracting younger employees entering the workforce. Turnover among 18-25 year olds has generally outpaced overall state employee turnover until FY 2012. Meanwhile, the average age of N.C. state employees steadily increased from 2000 to 2007, but has recently held steady at around age 46 for the past few years.

Charts showing turnover and workforce age trends are included in the appendix of this report.

### **Longevity**

Currently the state pays a longevity bonus to career employees with more than ten years of service. **As this is a “time in service” benefit with no basis in market or performance, it is recommended that the practice be evaluated.** About 45% of employees subject to the State Human Resources Act are currently eligible for longevity bonuses at a cost of nearly \$50 million per year. N.C. pays the average state employee a \$656 longevity bonus. This is based on a graduated percentage-based schedule starting at 1.50% of annual salary for ten years of service and increasing every five years to 4.5% for twenty-five years of service. Table 6 shows the comparison between N.C.’s longevity bonus program and other Southeastern states.

**Table 6: A Comparison of Longevity Pay Practices Among Southeastern States**

<b>State</b>	<b>Minimum # Years to Qualify for Longevity</b>	<b>Starting Longevity Amount</b>	<b>Formula for Increase in Bonus</b>	<b>Maximum Longevity Amount</b>
Alabama	5	\$600	Time-based, set lump sums	\$1,000
Arkansas	10	\$600	Time-based, set lump sums	\$900
Georgia	No response			
Kentucky	No response			
Louisiana	No statewide longevity program but agencies may implement			
Mississippi	No response			
<b>North Carolina</b>	<b>10</b>	<b>1.5% of annual salary</b>	<b>Time-based, increased percentage of base pay</b>	<b>No Maximum (4.5% of annual salary)</b>
South Carolina	No response			
Tennessee	3	\$300	Time-based, set lump sums (\$100 per year of service)	\$3,000
Virginia	No longevity program			
West Virginia	3	\$180	Time-based, set lump sums (\$60 per year of service)	No Maximum (likely tops out around \$1,800 for 30 years of service based on formula)

Source: 2014 NCASG Survey

## VI. BENEFITS ANALYSIS

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### Paid Time Off Analysis

Paid time off referred to here is employees' time off for which they continue to receive pay. Categories of Paid Time Off include Vacation Leave, Sick Leave, and Holiday pay. The contiguous states of South Carolina, Tennessee and Virginia report similar responses to the figure shown for the Southeastern states, and so, were not reflected separately.

#### Vacation

Based on comparison to other Southeastern states, North Carolina's vacation accrual rates are considered to be competitive.

**Table 7: VACATION LEAVE**

Years of State Service	North Carolina	SE States	Differential in Days
0 but less than 5 years	14.00	12.71	+1.29
5 but less than 10 years	17.00	16.46	Negligible
10 but less than 15 years	20.00	19.50	Negligible
15 but less than 20 years	23.00	22.00	+1.00
20 but less than 25 years	26.00	24.07	+1.93
25 years or greater	26.00	24.25	+1.75

2014 NCASG Survey

#### Sick Leave

Southeastern states grant an average of 13.8 days per year sick leave for employees with up to 3 years of service. North Carolina is below the average for all Southeastern states at 12 days per year of employee sick leave.

**Table 8: Sick Leave**

Sick Leave	North Carolina	SE States	Differential
Accrual	12 Days	13.8 Days	-1.8 Days

2014 NCASG Survey

## Holidays

North Carolina is competitive with the other Southeastern states in recognized holidays. The total average for all Southeastern states in the survey was 11.25 holidays. As of 2013, North Carolina now grants a consistent 12 holidays per year.

**Table 9: Holidays**

Holiday Leave	North Carolina	Southeastern States
Days per Year	12	11.25

2014 NCASG Survey

## Health Insurance

The information below is used to compare North Carolina's current standard PPO plan to other organizations.

### *Comparison to Southeastern States*

. Most other states provide a higher percentage contribution for family coverage than for individual coverage. NC's employer contribution for family coverage lags the average for Southeastern states by 33%.

**Table 10: Survey of Health Insurance Coverage For Dependent Care and Choice Of Plan**

SE States Contribution for Family Coverage	NC Employer Contribution for Family Coverage
<b>77.1%</b>	<b>44.3%</b>

Source: 2014 NCASG Survey

## Comparison to Local Government Practices

County governments report on choice of health plan, deductibles and employee and agency cost. Based on an analysis of the 10 most populous N.C. counties, the comparative results suggest that N.C. compares favorably in normal deductible and premium amounts, but unfavorably in employer contribution.

**Table 11: Survey of Local Government's Health Insurance Practices**

Type of Agency	Normal Deductible (if flat \$ amount reported)	Normal Co-pay (if flat \$ amount reported)	Average Annual Amount Employee Pays	Average Annual Amount Agency Pays
10 Counties	\$800	\$25	\$504	\$7,476
<b>State of North Carolina</b>	<b>\$700</b>	<b>\$30</b>	<b>\$163</b>	<b>\$5,192</b>

The above information applies to employee only coverage; NC data applies to the standard 80/20 PPO plan with participation in all three wellness activities.

Source: County Salaries in North Carolina 2014

## **Statewide Flexible Benefits Program (NCFlex)**

The NCFlex program, administered by the Office of State Human Resources, currently has over 110,000 employees from the agencies, universities, community colleges and charter schools enrolled.

The State's Flexible Benefits Program includes the following pre-tax plans:

- Health Care Flexible Spending Account
- Dependent Day Care Flexible Spending Account
- Dental Plan has two options available, High Option and Low Option.
- Vision Care Plan has three options, Core, Basic and Enhanced. The No-cost Core Vision Plan provides employees an annual eye exam for \$20 co-payment and discounts for materials at no cost to the employee.
- Voluntary Accidental Death & Dismemberment Insurance (for employees and family).
- Core Voluntary Accidental Death & Dismemberment Insurance (employees only). Provides \$10,000 of AD&D coverage at no cost to enrolled employees.
- Voluntary Group Term Life Insurance (for employee and family). Provides new employees up to \$100,000 of guaranteed coverage. Employees may be eligible for coverage up to \$500,000.
- Cancer Insurance offers three options, Premium, High and Low Option
- Critical Illness Insurance

Post-tax supplemental insurance products administered by each agency's "Employee Insurance Committee" continues to be a process that should be review. The efficiency and effectiveness of providing these benefit options should be reviewed as some may duplicate the States benefits package.

## **Retirement**

The percent factor used by southeastern states to calculate retirement benefits ranges from 1.6% to 2.5% times Average Final Compensation. North Carolina's factor used to calculate pension benefits is 1.82%.

In North Carolina, the 2014-2015 employer contribution on behalf of employees in the Teachers & State Employees Retirement System (TSERS) is 15.21%. This includes contributions to the retirement systems pension fund, death benefit trust fund, retiree health plan reserve and disability income plan. The state's contribution to the pension fund only is currently 9.15%.

## **Supplemental Retirement Programs**

Besides the traditional retirement program, the State offers voluntary supplemental retirement programs (**a 401(k) plan, a 457(b) plan and a 403(b) plan.**) North Carolina does not match employee contributions. According to Mercer Consulting, 78% of public and private organizations offer an employer match that averages 4% of an employee's pay. The amount of an employer's contributions drives the value of a Deferred Contribution plan.

A review of the past three years reveal that more than half of North Carolina's 100 counties have consistently made matching 401(k) contributions . In 2014, 60% of 90 reporting counties offered an employer match or contribution. Overall contributions (including 0's) averaged 2.24%. North Carolina State Government provides no contribution to 401(k) except for law enforcement employees. By not offering a match, the State of North Carolina is not considered competitive in this area.

## **APPENDIX**

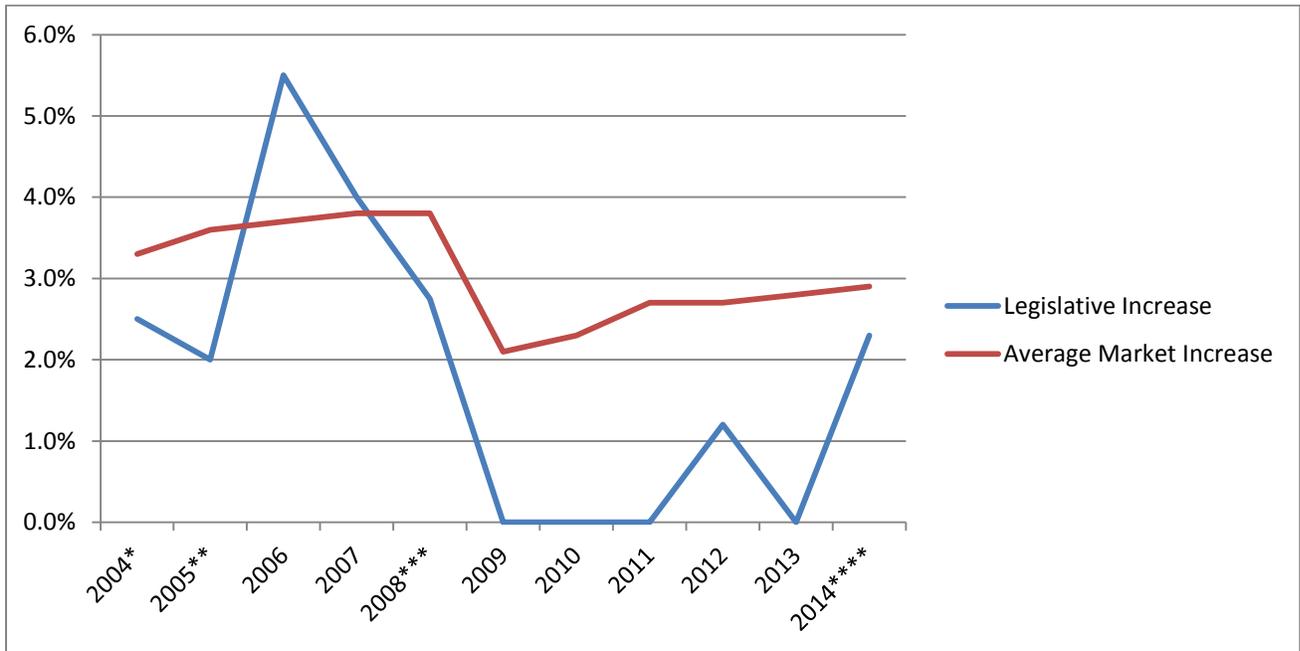
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- **History of Legislative Increases - 1992-2013**
  - **NC Pay comparison to CPI and Average Market Movement**
  - **Turnover and aging trends**
  - **Market Survey Library**
  - **List of Benchmark Classes and Labor Market Analysis**
-

### History of Legislative Increases 1992-2014

Year	Cost-of-Living Increase	Career Growth Increase	Bonus/Other
1992	\$522	0	0
1993	2%	0	1% bonus
1994	4%	0	1% bonus
1995	2%	0	0
1996	2.5%	2%	0
1997	2%	2%	0
1998	1%	2%	1% performance bonus
1999	1%	2%	\$125 performance bonus
2000	2.2%	2%	\$500 bonus
2001	\$625	0	0
2002	0	0	10 days bonus leave
2003	0	0	\$550 bonus plus 10 days bonus leave
2004	2.5% for salaries over \$40K; or \$1000 / yr for salaries under \$40K	0	0
2005	the greater of \$850 or 2.0%	0	5 days bonus leave
2006	5.5%	0	0
2007	4.0%	0	0
2008	the greater of \$1100 or 2.75%	0	0
2009	0	0	0
2010	0	0	0
2011	0	0	0
2012	1.2%	0	5 days "special leave"
2013	0	0	5 days "special leave"
2014	\$1000 flat increase	0	5 days bonus leave

## NC Legislative Increases Compared to Average Market Movement 2004-2014



Source: Mercer US Compensation Planning Survey 2013-2014

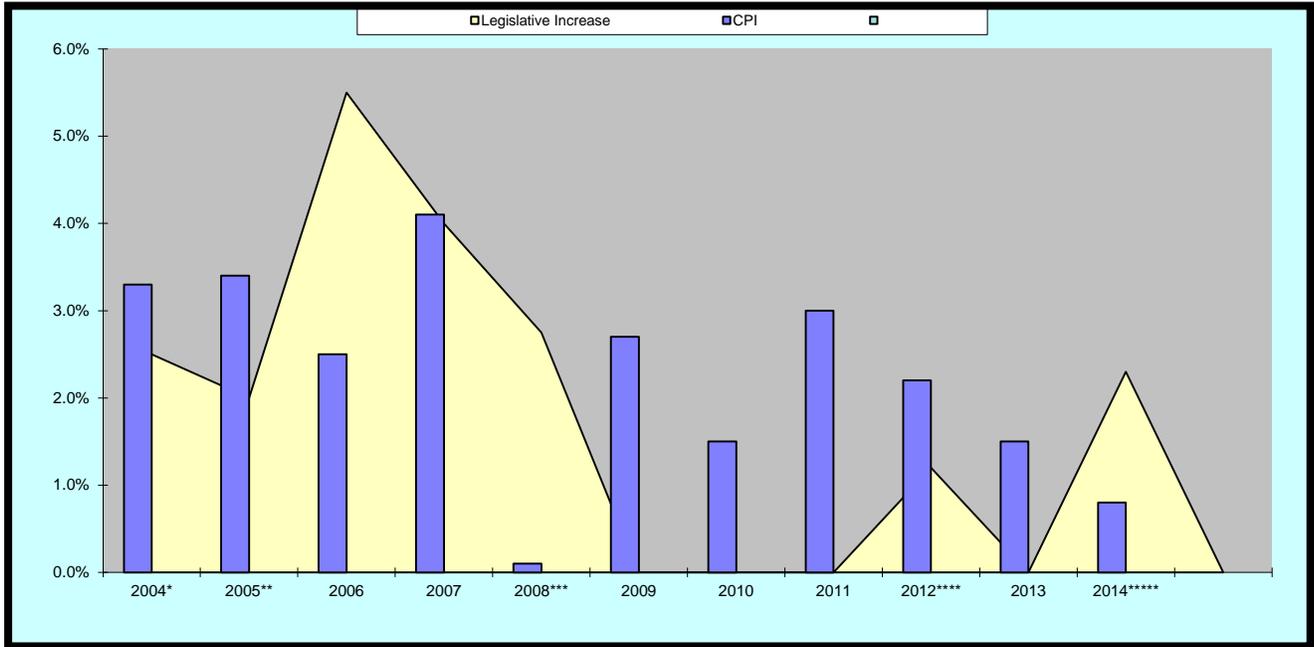
\*2.5% for employees with salaries over \$40K; \$1000 increase for employees with salaries below \$40K during 2004.

\*\*The greater of \$850 or 2% for 2005, plus 5 days bonus leave.

\*\*\*The greater of \$1100 or 2.75% for 2008

\*\*\*\*\$1000 flat increase for 2014 (2.3% average base pay)

### Comparison of CPI with Legislative Increases (COLA Only) 2004-2014



Sources: US Department of Labor/Bureau of Labor Statistics and the N.C. Office of State Human Resources

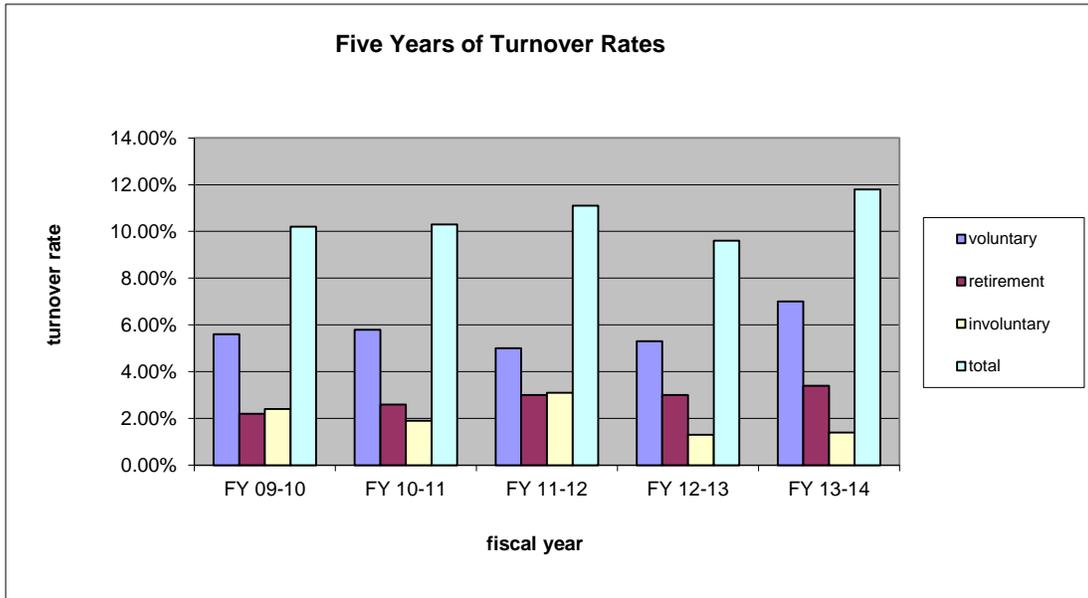
\*2.5% for employees with salaries over \$40K; \$1000 increase for employees with salaries below \$40K during 2004.

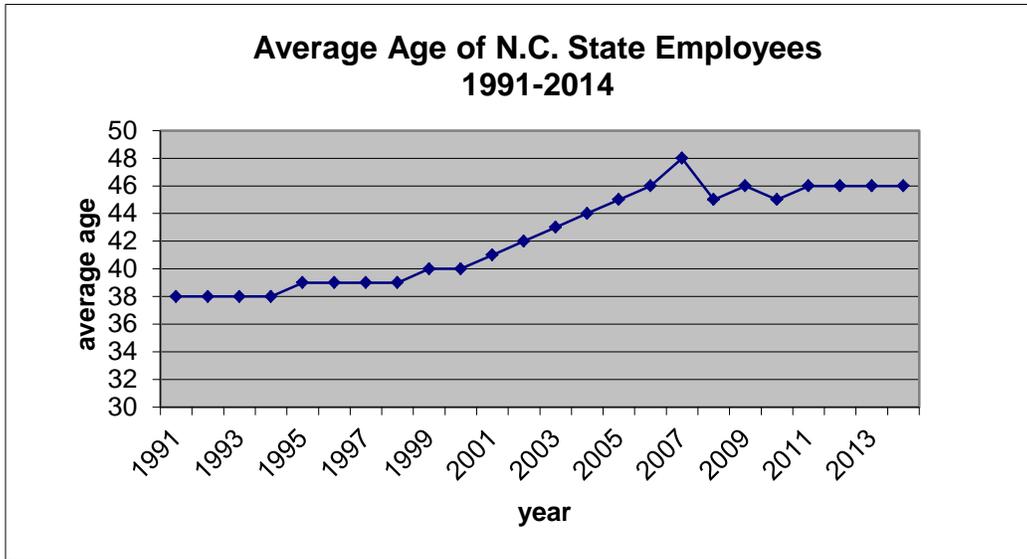
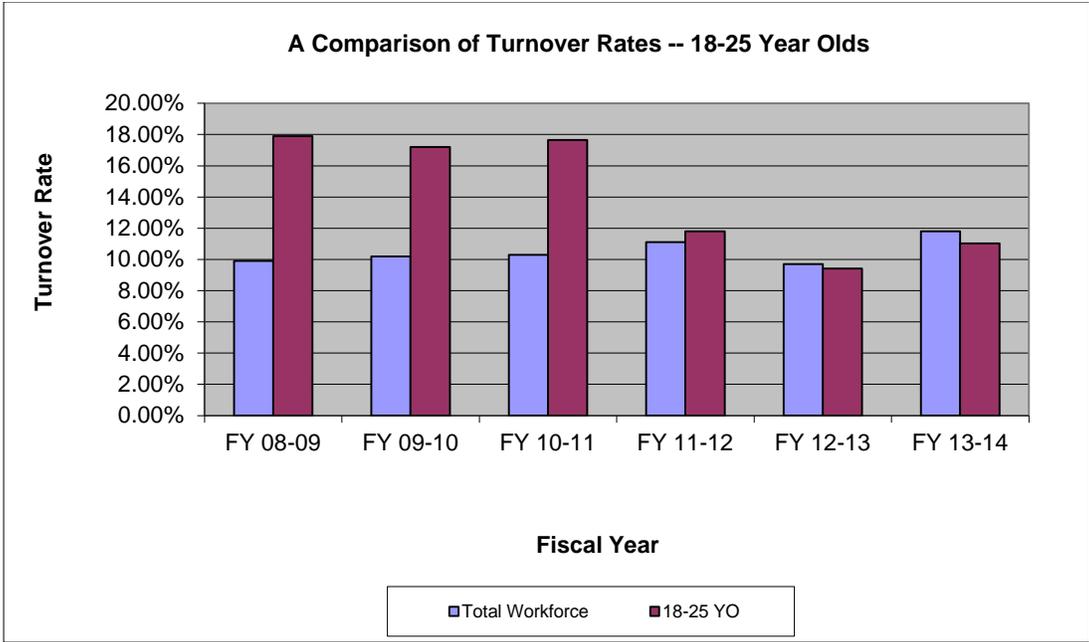
\*\*The greater of \$850 or 2% for 2005, plus 5 days bonus vacation.

\*\*\*The greater of \$1100 or 2.75% for 2008

\*\*\*\*CPI 2.2% as of end of October 2012

\*\*\*\*\*\$1000 flat increase for 2014 (2.3% average base pay)





## State of North Carolina Labor Market Survey Library

AFT	Mercer Logistics & Supply Chain, 2013
Capital Associated Industries Wage, 2013	Mercer Logistics & Supply Chain, 2014
Capital Associated Industries Wage, 2014	Mercer Metro Benchmark - Southeast, 2013
City of Greensboro	Mercer Metro Benchmark - Southeast, 2014
CompData Accounting Service Suite, 2013	Mercer Sales, Mktg & Comm, 2014
CompData Accounting Service Suite, 2014	NACE Salary Survey
CompData Engineering Service Suite, 2013	National Compensation Association of State Government
CompData Engineering Service Suite, 2014	NCASG State Governments, 2013
CompData Health Care - Southeast, 2013	NCASG State Governments, 2014
CompData Health Care - Southeast, 2014	Sullivan Cotter Physician, 2013
CompData Legal Service Suite, 2013	Towers Watson CSR Engineering, Design & Technical Specialty, 2014
CompData Legal Service Suite, 2014	Towers Watson CSR Accounting & Finance, 2014
CompData Not-For-Profit - Southeast, 2013	Towers Watson Health Care Admin and Support, 2014
CompData Not-For-Profit - Southeast, 2014	Towers Watson Health Care Clinical and Professional, 2014
CompData Physicians - National, 2013	Towers Watson CSR Human Resources, 2014
County Salaries	Towers Watson CSR Information Technology, 2014
CUPA Non Exempt in Higher Education	Towers Watson CSR Logistics and Supply Chain Mgmt, 2014
CUPA Professional in Higher Education	Towers Watson CSR Office and Business Support, 2014
Mercer Finance, Accounting & Legal, 2013	Towers Watson CSR Supervisory & Middle Management, 2014
Mercer Finance, Accounting & Legal, 2014	Western Management CompBase - Winter, 2014
Mercer Human Resources, 2014	
Mercer FSSS Insurance, 2013	
Mercer FSSS Insurance, 2014	
Mercer Information Technology, 2014	

**BENCHMARK CLASSES**  
**Labor Market Data Summary (State Agencies Only, Does Not Include Universities)**

Job Title	Number of Employees	Base Salary Avg	Market Base Salary Average 2013	Labor Market Pay Gap	Turnover Rate
<b>ADMINISTRATIVE &amp; MANAGERIAL</b>					
Accountant	253	58,414.	56,850.	2.8%	6.4%
Attorney III	134	86,815.	94,104.	-7.7%	7.9%
Office Assistant IV	887	33,290.	34,010.	-2.1%	10.0%
<b>ENGINEERING AND ARCHITECTURE</b>					
Engineer	1323	64,927.	68,513.	-5.2%	6.9%
<b>HUMAN SERVICES</b>					
Social Worker III	124	43,185.	53,236.	-18.9%	9.9%
<b>INFORMATION AND EDUCATION</b>					
Information & Communications Spec II	48	47,027.	55,482.	-15.2%	10.4%
<b>INFORMATION TECHNOLOGY</b>					
Business And Technology Applic Analyst	448	72,742.	77,564.	-6.2%	9.0%
<b>INSTITUTIONAL SERVICES</b>					
Cook II	142	27,206.	27,860.	-2.3%	16.7%
Housekeeper	452	24,805.	22,996.	7.9%	14.5%
<b>LAW ENFORCEMENT AND PUBLIC SAFETY</b>					
Public Safety Officer	67	35,968.	40,338.	-10.8%	22.4%
<b>MEDICAL AND HEALTH</b>					
Health Care Technician I	3524	26,802.	25,363.	5.7%	13.8%
Professional Nurse	1290	55,833.	57,767.	-3.3%	22.6%
<b>NATURAL RESOURCES AND SCIENTIFIC</b>					
Chemist I	26	46,934.	51,212.	-8.4%	9.7%
Forester I	31	41,495.	39,652.	4.6%	16.1%
<b>OPERATIONS AND TRADES</b>					
Maintenance Mechanic IV	279	39,371.	41,883.	-6.0%	11.2%
Vehicle/Equipment Repair Technician	525	41,108.	43,901.	-6.4%	8.6%



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