

**FISCAL NOTE**  
**Requested by Legislative Council**  
**01/14/2015**

Amendment to: HB 1246

- 1 A. **State fiscal effect:** *Identify the state fiscal effect and the fiscal effect on agency appropriations compared to funding levels and appropriations anticipated under current law.*

	2013-2015 Biennium		2015-2017 Biennium		2017-2019 Biennium	
	General Fund	Other Funds	General Fund	Other Funds	General Fund	Other Funds
Revenues						
Expenditures						
Appropriations						

- 1 B. **County, city, school district and township fiscal effect:** *Identify the fiscal effect on the appropriate political subdivision.*

	2013-2015 Biennium	2015-2017 Biennium	2017-2019 Biennium
Counties			
Cities			
School Districts			
Townships			

- 2 A. **Bill and fiscal impact summary:** *Provide a brief summary of the measure, including description of the provisions having fiscal impact (limited to 300 characters).*

This bill amends how the state's compensation levels would be determined. These levels would be used in comparison with various relevant labor markets, to ensure that the state's compensation levels are competitive. Fiscal impact cannot be determined.

- B. **Fiscal impact sections:** *Identify and provide a brief description of the sections of the measure which have fiscal impact. Include any assumptions and comments relevant to the analysis.*

3. **State fiscal effect detail:** *For information shown under state fiscal effect in 1A, please:*

- A. **Revenues:** *Explain the revenue amounts. Provide detail, when appropriate, for each revenue type and fund affected and any amounts included in the executive budget.*
- B. **Expenditures:** *Explain the expenditure amounts. Provide detail, when appropriate, for each agency, line item, and fund affected and the number of FTE positions affected.*
- C. **Appropriations:** *Explain the appropriation amounts. Provide detail, when appropriate, for each agency and fund affected. Explain the relationship between the amounts shown for expenditures and appropriations. Indicate whether the appropriation or a part of the appropriation is included in the executive budget or relates to a continuing appropriation.*

**Name:** Pam Sharp

**Agency:** OMB

**Telephone:** 701-328-4606

**Date Prepared:** 01/16/2015

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**01/14/2015**

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**Name:** Pam Sharp

**Agency:** OMB

**Telephone:** 701-328-4606

**Date Prepared:** 01/16/2015

**2015 HOUSE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1246**

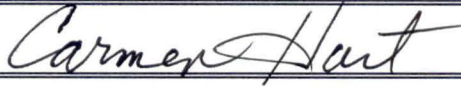
# 2015 HOUSE STANDING COMMITTEE MINUTES

## Government and Veterans Affairs Committee Fort Union, State Capitol

HB 1246  
1/23/2015  
22438

- ☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

Relating to compensation level comparisons; and to declare an emergency

### Minutes:

Attachments 1-7

**Chairman Kasper** opened the hearing on HB 1246.

**Rep. Streyle**, District 3, appeared in support. Attachments #1-5. (1:20-6:52) This bill is relating to a comparison of state employees versus the marketplace. What I think is extremely flawed in the comparison is they basically said, paraphrasing it, that the benefit package is equal to private industry and I completely disagree with that. Attachment 2 explains the benefits provided for new state employees. Attachment 3 goes through the history of what has been done in retirement, etc. since 1983. What the bill states that in a comparison, we should take 50% of retirement that the state is putting in, 50% of the benefit and add that into the calculation of the total salary. I believe it's a superior benefit package, and we should include that because where we get accused of is underpaying state employees. Attachment 4 came from HRMS website. You can put in calculations on salary and how many years you have worked. This example on #4 is \$50,000 in the 8-12 year box. It breaks it down as far as what the additional benefit cost is to the taxpayer. You can see on \$50,000, the employee cost is \$1,500 and the state is \$25,000. There is 50% more cost to the state on that person. We need to calculate something for the premium package we have. We again have a market equity adjustment. I would argue the benefit package is your market equity. Attachment 5 explains what we did last session and breaks it down further. Attachment 1 is the one we get in House Appropriations which details the salaries for this coming biennium. Part of that is special market equity which is roughly \$16 million. I would argue that. Our benefit package is superior, and we should get credit for that.

**Rep. B. Koppelman** What does OMB, when they have been doing comparisons in the past, use for a benefit percentage?

**Rep. Streyle** Basically they are saying that the benefit package is equal to private industry.

**Rep. B. Koppelman** In your opinion if we were to reduce benefits to truly match what industry standard is, arguably that would not be some industry standard then?

**Rep. Streyle** The health piece was a large increase per month. Most private industry that I know of doesn't pay 100% of health insurance or there is a higher deductible. The state plan is superior. To me just absorbing that cost alone, that is enough market equity. We don't need to add additional market equity into this formula. You are paying that big benefit plus the retirement. A typical plan in the private sector is a 5% match.

**Rep. Louser** On the #4 handout, is the \$11,780 number reflective of the increase or is that increase coming on top?

**Rep. Streyle** On page 3 of Attachment 1 we are going from \$215 million in the current biennium to \$261 million. The monthly premium is going from \$982 to \$1,162. That is an 18% increase.

**Rep. Steiner** How long have we been doing market equity? Is that the additional money you give to specialized employees to hold them in a state position?

**Rep. Streyle** It was for sure last biennium. I think it was in 2011 that we started it. The theory behind it is that it broke out into different quartiles and where you fit in those quartiles, trying to bring this time the bottom two up to more of a median quartile. We will see this market equity adjustment every time. I would argue we are just fine where we are at. We do not need this market equity because of the pure value of the benefits.

**Chairman Kasper** What would be the practical effect as far as how compensation is calculated or awarded for state employees if your bill would pass?

**Rep. Streyle** It's a philosophy statement. I don't know if anything could be done this biennium. My belief is the next time that piece would go away because you would be factoring the benefit. Therefore, you wouldn't be in a lower quartile.

**Chairman Kasper** For the benefit of myself and my committee, the Appropriations Committee looks at numbers and budgets. Does the Appropriations Committee in your ability to amend the Governor's budget or make your own numbers, would you have the ability in the Appropriations Committee to do just what your bill is asking us to do?

**Rep. Streyle** Yes, unless the Governor vetoes a portion of it which he vetoed something last time. We can move those numbers to how we see fit.

**Rep. B. Koppelman** Are you getting at that they must see the total compensation comparison?

**Rep. Streyle** Yes, and they do some of that now. As indicated earlier, the benefits are considered equal or on par.

Opposition

**Pam Sharp**, Director of OMB, appeared in opposition. Attachment #6 (15:44-16:58)

**Rep. B. Koppelman** When you figure total compensation, are you getting all the same info on the sheet that we can get from our state? Do you have all that info on the report?

**Pam Sharp** I don't know what report you are talking about. We get the best information that we can. There is an organization of states that provides their information, so we are able to go to other states and are able to look at what their health insurance is, how much their employees pay, how much the state pays, what their retirement is, how much the state pays and how much their employees pay. The last time we looked at health insurance we found that ND was one of the few states that pays 100% of health insurance, but we also found that the states that pay for the health insurance and match, have their employees pay part of the premium, ND still paid a smaller amount. The other thing that has to be factored into health insurance that is very difficult to do is the level of copays and deductibles because that varies among all the plans. When the Hay Group did their study in 2011, they did look at benefits and their conclusion regarding benefits was that the state did score a little bit better in the benefits comparison. That was because of the retirement situation. They thought we were in the middle of the road in health insurance. Since then state employees contribute 3% more to the retirement. It's a very complex comparison.

**Rep. B. Koppelman** Your comparison is how we stack up to other states. I don't know if it matters to me that much what we are doing in relation to other states. It matters to me what we are doing with similar careers in our own market place.

**Pam Sharp** The Hay Group did look at smaller and larger employers as well. What they were trying to look at is the market that we are competing with for employees. The update we did last summer, they did a very large survey of employers within the state and what they found regarding the benefits is that in ND compensation appears to be more important than benefits at this time. Our market that we need to look at is where we are trying to attract employees and where we are losing employees.

**Chairman Kasper** My business is employee benefits. I have a pretty good feel of the market place in ND. I can absolutely assure you that the benefit package with the state of ND is far superior to any private employer I have ever known about in our state. I was on the committee that received the Hay study and was appalled at what their findings were. Please provide the committee the study done in 2013.

**Pam Sharp** Attachment 7 was provided. We do consider the benefits a really good recruiting tool for hiring employees. The state has had a difficult time finding employees.

**Chairman Kasper** The state of ND is not unique with that problem as we all know. We have 25,000 or 30,000 unfilled jobs all across the state of ND right now.

**Rep. Dockter** Do they let the employees know what their salary is and what their benefits are?



**Pam Sharp** When employees are hired, a person from that agency does sit down with them and go through all of the benefits and salary.

**Rep. Louser** You referenced the Hay study that said we were in the middle of the road for insurance, yet we pay 100%. Are the co-pays and deductibles that impactful as far as that study is concerned? What caused ND to be considered middle of the road?

**Pam Sharp** I believe it is the copays and the deductibles.

**Rep. Mooney** What would the impacts be to your office if this passed?

**Pam Sharp** My concern is it would be a meaningless comparison to add that amount to everyone's salary and compare. It would obviously show that state employees are paid significantly higher than everyone else if you don't consider that comparisons salary and retirement benefits. This comparison I don't believe is an appropriate comparison.

**Rep. Mooney** We spent three years studying a similar approach on a county level to determine how best to look at salaries for that whole process of equity and fairness across the board. In conclusion we came to the same point where the only thing that made any sense is we had to begin comparing salary to salary and then look at benefit to benefit in order to have a firm grasp of understanding of what it is that we are doing.

**Rep. B. Koppelman** If we were amending this bill to say that you had to use the comparison of total dollars paid compared to the total dollars paid for salary and benefits in other large employers in the state, would that be a meaningless comparison?

**Pam Sharp** A total compensation comparison is a valuable comparison. You need to compare base pay to base pay and total compensation to total compensation.

**Rep. B. Koppelman** I'm not sure what you are saying is relevant.

**Pam Sharp** Are you talking base pay?

**Rep. B. Koppelman** I'm talking total dollars spent on base pay plus benefits. That is a comparison, and that comparison is very valid. Simply use dollars to dollars. That is the most honest and transparent way to say how much is this employee being compensated at both places regardless of their work conditions and their benefit package. Would that be worthwhile?

**Pam Sharp** It probably would be worthwhile. We can try to get those numbers. It is very difficult to get those with private industry. I think the statute that you are amending here already allows that.

**Rep. Wallman** In your testimony you refer to relevant labor markets. Can you explain how you would compare a state job to a private industry job in terms of relevant labor market?

**Pam Sharp** Relevant labor market is defined on Page 1 of the bill. She read the definition.

House Government and Veterans Affairs Committee

HB 1246

1/23/2015

Page 5

No Neutral.

The hearing was closed.

# 2015 HOUSE STANDING COMMITTEE MINUTES

## Government and Veterans Affairs Committee

Fort Union, State Capitol

HB 1246

1/30/2015

22885

☐ Subcommittee

☐ Conference Committee

Committee Clerk Signature

*Carmen Hart*

### Explanation or reason for introduction of bill/resolution:

Relating to compensation level comparisons; and to declare an emergency

### Minutes:

"Click to enter attachment information."

**Chairman Kasper** opened up the meeting on HB 1246. We were talking about a potential study.

**Rep. B. Koppelman** If total compensation is really not the metric that should be used when comparing the entire compensation we pay employees of the state compared to employees of another state make or a large corporation, one of the considerations I had was taking the changes which happened on Page 2, Lines 14-17, and essentially stating that they shall make all comparisons based on total compensation in terms of dollars. The bill sponsor seemed to be okay with that. He didn't like the fact that they were almost doing the inverse of this. I would propose an amendment that would say all comparisons must be made based on the state's total compensation level in terms of dollars.

**Rep. Dockter** I would be in support of this, because the business that I own, I do this on an everyday basis. People want to know the bottom line.

**Chairman Kasper** I am involved in benefits. There is an insurance company that does a whole lot of business in North Dakota called AFLAC, and we sell their products. As a service to the AFLAC customer, the company will prepare a compensation comparison for every employee free, and it lists all the benefits that are available and it lists the value of it. It is the employer paid part and the employee paid part, and then it gives a bottom line summary. When employees see that summary and those numbers, they say they had no idea. Most employers do a poor job of communicating to their employees what is the true cost of everything that the employer has to pay for behind the scenes that nobody really pays attention. I concur that the benefits are a big part in any employee's compensation package and should be disclosed to the employee in a very objective and a straightforward honest manner.

**Rep. M. Johnson** Is there something in the law that limits the state's ability to do exactly what you described?

**Chairman Kasper** I don't believe so. It is just a matter of OMB or any of the other agencies doing it.

**Rep. M. Johnson** Do you see this as a solution to an existing problem?

**Chairman Kasper** I believe there is an existing problem there, not only from the employee's perspective, but also from the public's awareness perspective.

**Rep. Wallman** I think it is incredibly relevant for us to know if we are underpaying or overpaying. We should add in relevant labor market.

**Rep. Laning** It is there already.

**Chairman Kasper** It is there in Line 14.

**Rep. B. Koppelman** He presented the language for the amendment. (07:35-08:11)

**Chairman Kasper** Making comparisons to peer institutions. Why would we need that?

**Rep. B. Koppelman** Read some more (8:30-10:10)

**Chairman Kasper** I would suggest we add a sentence at that end which says the comparison must include all employer contributions for any and all benefits the employer pays and the employee receives. I want them to include whatever it costs for workers' comp., whatever it is for paid vacation, unemployment insurance, Medicare and Medicaid.

**Rep. Schneider** Communicating that to employees does make a big difference, and as an employer when we hired someone, we broke down all of the benefits and gave them the amounts and the total. We did it annually every time there was a raise too.

**Rep. B. Koppelman** Read some more on the amendment he was trying to create. (12:43-13:24)

**Rep. Dockter** OMB has a very nice website where they put in the numbers and it shows them all their benefits. Why don't they when they do their interview, have that sheet already prepared for the potential employee? They already have the tool, and it just doesn't seem like they are using it.

**Rep. Wallman** Maybe benefit isn't the right word.

**Chairman Kasper** It should be dollars.

**Rep. B. Koppelman** More on the amendment. (14:59-16:07)

**Rep. Schneider** There is a little bit of conflict between what the employee is paying and what they are paying. If an employee is paying it, the state isn't paying it on behalf of an employee.

**Vice Chair Rohr** I like the idea of providing a document to the employee on an annual basis.

**Chairman Kasper** Now we are talking about a fiscal note.

**Rep. Steiner** I think we are going to have problems if you add that employee piece, because that is where Pam was saying they are all different. This is going to work, and I think what Rep. Streyle is trying to show is that the state has an excellent benefit package and is never really reflected in the total compensation.

**Rep. Laning** There are employers that will provide a benefit at 100% employer cost. Others will provide the same benefit but it is shared with the employee. If we are looking at this as an incentive to retain or attract employees, it may help them in making a job comparison between here and somewhere in private industry.

**Rep. B. Koppelman** Read more on the amendment trying to create. There were also suggestions by Chairman Kasper. (19:13-24:30)

**Rep. M. Johnson** You pointed out earlier that there are benefits that the employer does not pay like sick leave. Is that necessarily excluding that?

**Chairman Kasper** We could add paid and earned.

**Rep. B. Koppelman** We don't want to get it too detailed that it becomes confusing. I think that might be covered in the language we have.

**Rep. M. Johnson** It is a reference to days, not dollars.

**Chairman Kasper** I think the chart would show an annual number.

**Rep. M. Johnson** For each job depending on the vacation days, that is converted to dollars?

**Chairman Kasper** Yes.

**Rep. M. Johnson** Same with PTO or whatever?

**Chairman Kasper** Yes.

**Rep. B. Koppelman** We have emphasis in terms of dollars about three times in this language. I don't think they have an option of measuring it in any other way other than dollars.

**Rep. Mooney** Wouldn't this be a better use of a subcommittee?

**Chairman Kasper** With a fiscal note on it, we have to move it out. I think the full committee discussion is a little bit better than subcommittee discussion at this point.

**Rep. Dockter** This handout we received from Pam Sharp shows that the following value of benefits is based on the classified employee earning \$50,000. It is in dollars.

**Rep. Karls** FICA isn't on here.

**Chairman Kasper** The amendment that we are discussing would include FICA. I think that is an example.

**Rep. B. Koppelman** Another example is going to be unemployment insurance. Even though employees sometimes think of unemployment as being an employer expense, really it is a benefit to the employee if they are ever laid off.

**Rep. M. Johnson** Rates for WSI and unemployment vary from year to year.

**Chairman Kasper** I would think that is not a big problem to address.

**Rep. B. Koppelman** Final amendment was read. (30:17-31:10) This was a motion to adopt the amendment.

**Rep. Dockter** seconded the motion.

**Rep. Wallman** Who might a peer institution be that OMB might make a comparison with?

**Chairman Kasper** They compare to other states.

**Rep. Wallman** Would it behoove us to make a recommendation that it is compared to states with economies similar to North Dakota?

**Chairman Kasper** On Line 14 "relevant labor markets" might give us our hint.

**Rep. B. Koppelman** Rep. Wallman look on Page 1, Line 18.

**Rep. M. Johnson** WSI is a difficult number to tackle. You have a different class code for each job type. How does it work on the state level?

**Chairman Kasper** I don't know if the state has one master rate for our entire labor force.

**Rep. M. Johnson** It is not the rate. It is the job classification that fits within different class codes.

**Rep. B. Koppelman** Those rates will be determined at the point when they decide what the position is.

**Rep. Dockter** I think that gets resolved by the human resource person for that particular department. They will calculate and figure that out and factor that in when they do it.

Voice vote. Motion carries.

**Rep. Steiner** made a motion for a DO PASS AS AMENDED.

**Rep. Laning** seconded the motion.

**Chairman Kasper** It does not have to be rereferred to Appropriations. It has a fiscal note of 0.

A roll call vote was taken. 10 Yeas, 4 Nays, 0 Absent.

**Rep. B. Koppelman** will carry the bill.

*Handwritten:*  
1-30-15

PROPOSED AMENDMENTS TO HOUSE BILL NO. 1246

Page 2, line 14, remove "All comparisons must include, as part of the"

Page 2, replace lines 15 through 17 with:

"All comparisons must be in terms of total compensation paid in dollars.  
Weighting factors may not be used to reduce or increase the value of total  
compensation when making comparisons. The total compensation comparison must  
include all contributions paid by the employer and employee in terms of dollars and  
must include the cost of all benefits paid."

Renumber accordingly



Date: 1-30-15  
Roll Call Vote #: 1

2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1246

House Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: Koppelman amendment

Recommendation: ☒ Adopt Amendment  
☐ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐

Motion Made By B. Koppelman Seconded By Dockter

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper			Rep. Bill Amerman		
Vice Chair Karen Rohr			Rep. Gail Mooney		
Rep. Jason Dockter			Rep. Mary Schneider		
Rep. Mary C. Johnson			Rep. Kris Wallman		
Rep. Karen Karls					
Rep. Ben Koppelman					
Rep. Vernon Laning					
Rep. Scott Louser					
Rep. Jay Seibel					
Rep. Vicky Steiner					

Total (Yes) \_\_\_\_\_ No \_\_\_\_\_

Absent \_\_\_\_\_

Floor Assignment \_\_\_\_\_

If the vote is on an amendment, briefly indicate intent:

Date: 1-30-15  
Roll Call Vote #: 2

**2015 HOUSE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1246**

House Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☒ Adopt Amendment  
☒ Do Pass ☐ Do Not Pass ☐ Without Committee Recommendation  
☒ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar

Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Steiner Seconded By Laning

Representatives	Yes	No	Representatives	Yes	No
Chairman Jim Kasper	X		Rep. Bill Amerman		X
Vice Chair Karen Rohr	X		Rep. Gail Mooney		X
Rep. Jason Dockter	X		Rep. Mary Schneider		X
Rep. Mary C. Johnson	X		Rep. Kris Wallman		X
Rep. Karen Karls	X				
Rep. Ben Koppelman	X				
Rep. Vernon Laning	X				
Rep. Scott Louser	X				
Rep. Jay Seibel	X				
Rep. Vicky Steiner	X				

Total (Yes) 10 No 4

Absent \_\_\_\_\_

Floor Assignment B. Koppelman

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1246: Government and Veterans Affairs Committee (Rep. Kasper, Chairman)**  
recommends **AMENDMENTS AS FOLLOWS** and when so amended, recommends  
**DO PASS** (10 YEAS, 4 NAYS, 0 ABSENT AND NOT VOTING). HB 1246 was placed  
on the Sixth order on the calendar.

Page 2, line 14, remove "All comparisons must include, as part of the"

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Renumber accordingly

**2015 SENATE GOVERNMENT AND VETERANS AFFAIRS**

**HB 1246**

# 2015 SENATE STANDING COMMITTEE MINUTES

## Government and Veterans Affairs Committee

Missouri River Room, State Capitol

HB 1246  
3/26/2015  
Job # 25469

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature



### Explanation or reason for introduction of bill/resolution:

A BILL for an Act to amend and reenact section 54-44.3-01.2 of the North Dakota Century Code, relating to compensation level comparisons; and to declare an emergency.

### Minutes:

Attachments 1

**Chairman Dever:** Opened the hearing on HB 1246.

**Representative Streyle, District 3:** See Attachment #1 for testimony as sponsor and in support of the bill.

**(7:00)Chairman Dever:** What do the amendments do?

**Representative Streyle:** Currently when they are going out and doing studies to compare they use the largest 50 employers and this would say that was fine and they could continue to do that but they must be weighted at 60%; 60% large employers, 20% midrange, and 20% small employers when you are comparing benefit packages.

**Senator Cook:** If this bill was current law today, do you think that the number that we have for salary increases in our current budget would be any different or would it still be the same?

**Representative Streyle:** I am not sure if it would or would not. Potentially it could. I would justify the 3 and the 3 possibly. I do not think that it would say that there is a 0% increase. I think the market equity piece is a flawed component in itself which we took that piece out.

**Chairman Dever:** A couple of years ago before Senator Nething who had served 46 years told me that a long time ago the legislature decided to focus on benefits and so therefore the salary is lower but the benefits are better than the market. We are looking at shifting things now and when the HayGroup study was done, it was determined on average that in terms of salary the state employees were 7% below the market with the benefits supposedly making the difference. If we make this comparison and it shows that the total

compensation is actually lower than the market, do you think there is support in the legislature that would increase the total compensation for employees?

**Representative Streyle:** That is a good question. It could very well say that in the next study. I think the point is that in the determination in the HayGroup was that the benefits are no more than valuable than anyone else's and therefore your pay is low so you have to raise the pay. I cannot agree with that. The benefit package is superior. If the pay is down slightly, last session we made adjustments to bring some up to midpoints. This time we decided not to fund those market equity pieces and portal adjustment. In a sense we have probably done what should be done. This more is going forward and it could very well say that it is still below. I do not accept the benefit package to be equivalent.

**Chairman Dever:** I was not saying that the benefit package was equal. I am just saying that the state employee benefit package is better than the market but the salary is below the market and the HayGroup study was done 3 interims ago maybe. We have gone from well below the average to the 2<sup>nd</sup> highest average personal income in the country now. I don't know how far below the market we are now with state employee salaries. When talking to the HayGroup, the value of the benefits depends on where you are at in your career. It is pretty difficult to make these comparisons. It is not apples to apples.

**Representative Streyle:** I do not disagree with that. I think they are trying to do a good job. The bottom line to be is that the benefit package is clearly better. The retirement and health piece to that are clearly better than anything in the marketplace. When you compare both of them I do not see that to be the case.

**Senator Nelson:** I guess I am having a problem with your amendment. Why, if we have such great compensation packages, would our employees want to compare against the small and medium. I would think that we would want to look at what the big guns are offering and what we are up against. We need to look at the 50 biggest employers in the state and figure out what is going on. That is what you are running up against. That is what we are losing employees to.

**Representative Streyle:** How many agencies do we have that are below 20? Those are not large employers. I think that a lot of our agencies are not large employers. Just a cross section of all business is not necessarily the top 50. It brings you a more real scenario of what the pay and benefit packages in the marketplace in general.

**Senator Davison:** It is interesting that you focused on healthcare, and I couldn't agree with you more, especially as someone that benefits from our healthcare plan. It says that there is no employer match on the defined contribution and that is true if you are in the other plan. When asked in testimony regarding that retirement plan what the goal was, they said that you take your Social Security plan and your retirement plan and that will equal 90% of your final pay and to me that is a premium retirement plan. So I don't know how at market is even fair on that one. Who picks the HayGroup and how is that selectin done?

**Chairman Dever:** That is determined by the interim committee.

**Representative Streyle:** I agree with you on the retirement piece at 7.12%. My own private business is at 5% and that is generous on a 401K. The average is usually between 3 and 5% for retirement match.

**Chairman Dever:** I would say that the reason we have 7 and 7 on the defined contribution side is because we increased that on the defined benefit side as a recovery to the plan. Prior to 2008 that was 4 and 4 and in our negotiations with the House they wanted the defined contributions kept at the same level for contributions on both side even going beyond when the recovery is accomplished.

**Senator Davison:** I don't think that is the discussion of what we have here. We are trying to determine if it is at market or above market rate. I understand that the numbers have to be changed but I think the end product of it is far above what the market is from a retirement standpoint. I think that is what we are trying to determine in these cost analysis. I think the whole compensation needs to be looked at verses just salary to salary.

**Chairman Dever:** I was just concerned with apples to apples.

**Senator Davison:** We are in the process of doing some of this work outside of my work here. I would argue with the time off piece. There are very few organizations that have anything currently other than PTO. That is your sick and vacation all combined into one. In fact, the biggest employer, Sanford, has it all combined together. Your holidays and everything and you determine yourself how that is going to work out.

**Chairman Dever:** Do you think we can place a dollar value on that?

**Senator Davison:** No, but you can certainly do a side to side comparison and look a little more deeper into that than to just say at market value.

**Representative Streyle:** On HRMS's site you can plug these in and what they say on their own site, 10 days of holiday is worth \$1923 and sick leave at 8 hours a month is worth \$2300, annual leave 12 hours a month is \$3400, so they have put a number on that.

**Chairman Dever:** Do you think that we are able to ask private industry to provide us those numbers?

**Representative Streyle:** I am sure we could in the study. It would not be that hard.

**Chairman Dever:** One of the reasons that we looked at large employers is because they could provide that information more easily. Small employers may not have an HR department or they may not even have company policies that they could provide.

**Representative Streyle:** That is why I put the weighting factor on those. I think some factor should be on mid and small range businesses.

**Chairman Dever:** If defined benefit does not exist in the private market then I do not think there is any way to compare that benefit.

**Representative Streyle:** That is correct.

**Chairman Dever:** I recall that the HayGroup considered the retirement plan not to be a motivator but they did say that the state should consider capping its liability exposure on the health insurance.

**Representative Streyle:** I would agree with that as costs are going to continue to explode in that.

**(21:15) Stuart Savelkoul, Assistant Executive Director, North Dakota United:** Testified in opposition to the bill. On the House side we opposed this bill in its original form and after the bill was amended on the House side we see this as a do nothing bill. I am concerned after listening to Representative Streyle's testimony that the intent and perhaps the mean-spiritedness that was prevalent in this bill's initial form is still very much present in the draft that exists before you today and certainly in the amendments that were offered. As Representative Streyle stated, this is a philosophy statement. I think the philosophy that we are to take from this is 1. That state employees don't know how good they have it and that they should just be quite and thankful for all the good that they have, 2. The takeaway ought to be that there are folks within the chambers of the legislature that are apparently better at being compensation authorities than the HayGroup of which we paid at least \$300,000 to because they are in fact a compensation authority. (Gave history on the Hay Group and why they were used.)When the compensation study was put together we were fine with a market based study. We worked as partners with that interim committee to find an approach that makes sense. I thought the concept of defining the market resulted in a rather beautiful statement from Representative Weiland. He said that the easiest way to describe market was where we are attracting our employees from and where are we potentially losing them to. I think the discussion on large, medium, and small employers - are we losing a lot of state employees to small businesses. I do not believe that we are. We are not generally recruiting or after the same skill set. That is why you use large employers is because that is where you attracting your people from and that is where you are potentially losing them to. It is not just in state that we should look at. There is also the external aspect. We should look at those around us. It took years for them to come forward with their conclusion that we pay X % behind market on salaries and we think that our benefits package is perhaps slightly above market, although, for the most part at market. What I am frustrated at is this perception that is continually brought up by folks within the legislature and externally that seem to believe that state employees have a better benefits package and that it is a given. I do not believe that is a given. I am in the private sector and I have a better package than state employees do. I think there are a lot of folks that can say that. At the end of the day, it takes broader research and that is why you hired the HayGroup. I think the system is not broken but it is not perfect. Passing this kind of philosophy is not going to solve anything. If our benefits package and our compensation were truly as good as some perceive it to be than we would not have more than 100 state vacancies. We are struggling to recruit and retain. We need to think more about how we frame the argument so that state employees understand how great it really is there. Comparing apples to apples makes sense but it is somewhat difficult when you are talking with the private sector about the benefits package that they offer their employees. It is not always in their best interest to tell us or others what they are paying their people. The state has to be transparent as a public employer, but private industry does not have to do that.



We respectfully ask that you assign a Do Not Pass to this legislation. At best it tweaks the philosophy statement of North Dakota and at worst it is just going to be another message to state employees that there are those in the legislature that don't value them and don't believe that they understand the level of compensation that they receive.

**(28:30) Senator Davison:** You seem to prejudge the legislation that this will come out more negative side for state employees?

**Stuart Savelkoul:** No that is not what I am saying. I think that the concept of considering benefits in addition to salary is already being done and what this legislation getting passed does is send the message that it is sort of a "we really mean it thing". When we cannot be confident that the benefits information that we are getting back is as accurate from the private sector as it is from the public sector; that we cannot be assured that the information is going to be solid and that we are going to know all of their benefits and that all of the benefits are going to sync up perfectly. Are we only going to assign dollars to benefits that the state provides and then see how other private sector entities stack up to those particular benefits or is it all going to be considered. It comes back to the fact that this is a job for HRMS and the HayGroup to work in concert on rather than the legislature to say that they do not believe them and don't trust it. When the sponsor stands before you and states what the HayGroup states their results but they know that is wrong, I am deeply troubled by the message that sends to the integrity of the hay study and the message that sends to the integrity of the state legislature's wisdom in asking someone from the outside to study it at all.

**Chairman Dever:** What if I ask about the comparison between teachers and state employees.

**Stuart Savelkoul:** It is worth noting that teachers are dealt with on a district by district level. A teacher in Grand Forks might pay much for his health insurance than a teacher in Fargo does, but I can tell you that on the issue of retirement, TFFR contributions are at a much higher rate than North Dakota PERS.

**Chairman Dever:** 24 total compared to 14, but on comparison of salaries with state employees with similar education to teacher the state employees were paid less than teachers.

**Stuart Savelkoul:** That may have been true and it may still be today, but I do not know if that is the right question to ask. The right question may not be if they have the same level of education but the more appropriate question might be if they do similar work and if that skill set is similarly sought after in the market. Those are the kinds of questions that the HayGroup sought to tackle and that I think prompted the desire for this kind of study in the first place. We support that. We understand that the market is not just public workers and not just the bigger cities in North Dakota. We think taking that holistic approach to things makes sense. We believe that is being done now. What we stand in opposition to now is that it seems that the mean spiritedness and the motive that existed in this bill is still very much prevalent in its current form. We do not like the message that is sending the state employees at a time when we are struggling to recruit and retain.

**Chairman Dever:** I hope that you do not mean to suggest that this committee would adopt a mean spirited approach to this bill.

**Stuart Savelkoul:** I do not think that this committee has an ounce of mean spirit in it.

**Senator Davison:** Do you think that the size of the school matters in the salary that is paid throughout the state for teachers?

**Stuart Savelkoul:** Yes it matters, but it is not the only component.

**Senator Poolman:** I understand you to say that you don't mind what they are asking but you don't like how they asked?

**Stuart Savelkoul:** I think the exact same interpretation of that could be that this bill doesn't mind what is being done but they just want to say that you have to do it too. What the HayGroup is currently trying to do is to take a look at all the salaries and benefits and they think they could get more accurate answers from private industry than Mr. Purdy could because of confidentiality reasons and the competitive aspect as well. When it comes to benefits it is much more difficult. What I worry is they want to assign a value to all of the state employee benefits and I am not sure that we can get a value on all of the private sector benefits because if the private sector offers a benefit that they state does not, I am not convinced that it will than it will have a dollars amount counted toward it or not. I do not think that we have given enough time under the HayGroup implementation to really assess whether or not any part of it is broken. I would certainly contend that the HayGroup implementation and HayGroup recommendations have been a good thing and that to a person in state government it has improved the ability to explain compensation to employees and the ability to compete for employees.

**Senator Davison:** My interpretation of what Representative Streyle is saying is that we should average all of the different types of businesses that there are in North Dakota and get a comparison similar to one we do for teachers to really see where the employees are at. Do you agree with that?

**Stuart Savelkoul:** No.

**Chairman Dever:** The HayGroup looked at total compensation and the difficulty comes in trying to assign dollar values to those.

**(38:18) Ken Purdy, Director, HR Management Services Division of OMB:** Testified in neutral capacity on the bill. I have not seen the amendments; it is not unlike what is done. The original study, at the direction of the legislative committee, conducted a custom salary survey of major employers in North Dakota considering what the market was doing at that time. It incorporated data from job service of North Dakota on all North Dakota employers from 2 person to large corporations and it incorporated data from regional states. To simplify it and say that the study only looked only at large North Dakota employers is absolutely false. There was a cross section of employers. To suggest that it did not consider benefits, the HayGroup collected benefit information. Benefit information is very complex to survey. You can fairly readily get a cost of benefits and look at that but as you

dig deeper into the issue and look at quality of benefits it becomes a complex study. Just the study of a couple of benefits would have cost the same as the entire HayGroup study. What they look at is the overall contributions and values of the benefits in a general sense. They had a couple of observations ranging from slightly ahead of market to pretty comparable to market. The statement that there are not any employers providing a benefit package as rich as the states is absolutely false. It is a little bit of an aberration in the last few years with some of the energy companies coming in. The private companies coming in have smoked our benefit packages because of all of the things that they provide. The numbers from the benefit calculator on our website include value of leave benefits. That is calculated based on the salary and the hours for a seasoned employee. It is an advanced leave accrual. The health benefit is unusual to have 100% premium paid. In order to keep that, the employees are paying their share on the back side with their deductibles and co-pays. On average, the 10 states that we use as comparisons pay about 70% of the health premium. Our premium is lower than that 70% premium paid by the other states. In dollars our 100% premium is lower than the 70% paid by other states. The HayGroup study found that the benefits were at or slightly ahead of market. The disagreement is that they did not reach the same preconceived conclusions that some expected out of that study. I do not know how we could have done it differently.

**(43:40) Senator Cook:** I am looking at #4 on Representative Streyle's testimony on the value of our benefit package. Is this the state compensation when you conduct a comparison?

**Ken Purdy:** Yes.

**Senator Cook:** So the only question of the bill is what we are comparing this number to and how we get the number that we compare this number to? What information we use to find out what the competition is compensating.

**Ken Purdy:** Yes I believe so.

**Senator Cook:** Do we do exit interviews with self-terminating employees that are leaving?

**Ken Purdy:** Some agencies do. It is hit or miss. They are not done on a comprehensive basis. It is the agencies data.

**Senator Cook:** If we wanted to get valuable information that we could use to determine the proper level of compensation for state employees, do you not think maybe an exit interview would be valuable?

**Ken Purdy:** It may be. There are positives and negatives. There are challenges in gathering that. Some that leave are not completely honest. Some do not want to burn bridges. They don't want to say that their supervisor was a jerk. Value yes, but in an overall comprehensive I do not think you could base a plan on that.

**Senator Cook:** What if we just gather where they are going on an exit employee. I would see some value in that.

**Ken Purdy:** Yes there would be value in various answers. It would just be less reliable than a comprehensive salary and benefit study like the HayGroup Study. We just updated the compensation study this past summer. We contracted with another consultant to update the data and they surveyed basically the same group of employers and jobs and looking at that custom survey data, the findings were largely very similar. The findings were such that among the large employers our lag was still around 7 to 8%. The job service data, which encompasses everything from small to large employers, we were showing in the range of 3 to 4% behind in pay and in the regional states we were a bit ahead due to the economic conditions other states have faced. The recommendation was to advance the pay structure that we use - 7% over the next biennium and our original proposal in the budget was 4% in the first year and 3% in the second year.

**Chairman Dever:** What is our latest turnover rate and which way is it trending?

**Ken Purdy:** We are trending up and it is for 2014 11.1%. We are seeing an uptick.

**Senator Flakoll:** Could you get us a copy of those numbers?

**Ken Purdy:** Absolutely.

**Chairman Dever:** Closed the hearing on HB 1246.

# 2015 SENATE STANDING COMMITTEE MINUTES

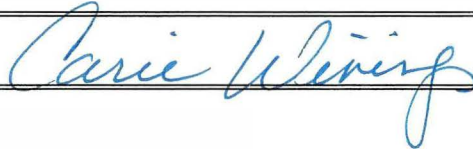
## Government and Veterans Affairs Committee

Missouri River Room, State Capitol

HB 1246  
3/26/2015  
Job # 25494

☐ Subcommittee  
☐ Conference Committee

Committee Clerk Signature



**Minutes:**

Attachments 1

**Chairman Dever:** Opened HB 1246 for committee discussion. See Attachment #1 brought by Ken Purdy for committee information.

**Senator Nelson:** Moved a Do Not Pass.

**Senator Marcellais:** Seconded.

**Chairman Dever:** Any further discussion?

**Senator Nelson:** You and I both sat in on a HayGroup report which I thought was very comprehensive and thought out. I think that we need to continue with what we paid good money to do and make sure that those recommendations are followed. I think this puts a monkey wrench into it.

**Chairman Dever:** I think the HayGroup study was a comprehensive study of total compensation and they did not express it in dollars in part because you cannot do that.

**Senator Davison:** I believe the amendments brought forward by the bill sponsor - I think that the report can be broken out however the person who is requesting it would like.

**Chairman Dever:** So you see the amendments as an improvement on the bill?

**Senator Davison:** No. I was just pointing out that there is not anything that restricts hiring the consultant and breaking those things out currently.

**Chairman Dever:** OMB does periodically conduct a study.

**Senator Davison:** I would think they have a model that they go around to different states and you can customize it to help get more accurate information for your particular state. I don't think the amendments are necessary.

**Senator Flakoll:** It reminds me of a bill that the education committee had a week or two ago about compensation and I think the HayGroup report is seen by everyone's estimation to be beneficial but I did not get a sense how this will enhance what we need to do.

**Chairman Dever:** The HayGroup study had top level support in the House until it did not come out with the results they wanted.

**A Roll Call Vote Was Taken: 7 yeas, 0 nays, 0 absent.**

**Motion Carried.**

**Senator Dever will carry the bill.**



Date: 3/24  
Roll Call Vote #: 1

2015 SENATE STANDING COMMITTEE  
ROLL CALL VOTES  
BILL/RESOLUTION NO. 1246

Senate Government and Veterans Affairs Committee

☐ Subcommittee

Amendment LC# or Description: \_\_\_\_\_

Recommendation: ☐ Adopt Amendment  
☐ Do Pass ☒ Do Not Pass ☐ Without Committee Recommendation  
☐ As Amended ☐ Rerefer to Appropriations  
☐ Place on Consent Calendar  
Other Actions: ☐ Reconsider ☐ \_\_\_\_\_

Motion Made By Nelson Seconded By Marcellais

Senators	Yes	No	Senators	Yes	No
Chairman Dever	✓		Senator Marcellais	✓	
Vice Chairman Poolman	✓		Senator Nelson	✓	
Senator Cook	✓				
Senator Davison	✓				
Senator Flakoll	✓				

Total (Yes) 7 No 0

Absent 0

Floor Assignment Dever

If the vote is on an amendment, briefly indicate intent:

**REPORT OF STANDING COMMITTEE**

**HB 1246, as engrossed: Government and Veterans Affairs Committee (Sen. Dever, Chairman)** recommends **DO NOT PASS** (7 YEAS, 0 NAYS, 0 ABSENT AND NOT VOTING). Engrossed HB 1246 was placed on the Fourteenth order on the calendar.

*i*



**2015 TESTIMONY**

**HB 1246**

## STATE EMPLOYEE SALARY AND BENEFIT INFORMATION

This memorandum provides information on funding approved by the Legislative Assembly for state employee salary and fringe benefits as well as changes to salary and fringe benefits since the 2009-11 biennium.

### TOTAL SALARY FUNDING

Appendix A provides information on total salary and fringe benefits funding for state employees since the 2007-09 biennium.

### GENERAL SALARY INCREASES

The schedule below provides information on the funding provided by the Legislative Assembly for general salary increases for state employees since the 2009-11 biennium.

Biennium/Authorized Increase	General Fund	Special Funds	Total
2009-11 - 5% July 2009 and 5% July 2010 (\$100 per month minimum)	\$36,821,006	\$31,667,339	\$68,488,345
2011-13 - 3% July 2011 and 3% July 2012	\$23,920,117	\$20,892,142	\$44,812,259
2013-15 - 3% to 5% July 2013 and 2% to 4% July 2014	\$33,078,111	\$29,389,061	\$62,467,172
2015-17 executive budget - 3% to 5% July 2015 and 3% to 5% July 2016	\$44,409,140	\$31,327,331	\$75,736,471

### SPECIAL MARKET EQUITY SALARY INCREASES

The schedule below provides information on the funding provided by the Legislative Assembly for special market equity salary increases for state employees since the 2009-11 biennium.

Biennium/Authorized Increase	General Fund	Special Funds	Total
2009-11 - Statewide equity pool	\$9,000,000	\$6,984,000	\$15,984,000
2009-11 - Other specified agency increases	\$135,100		\$135,100
2011-13 - Specified agency increases	\$706,832	\$600,000	\$1,306,832
2013-15 - Up to 2% for classified employees in lower half of salary range	\$8,190,768	\$5,162,677	\$13,353,445
2013-15 - Other specified agency increases	\$1,584,756	\$127,829	\$1,712,585
2015-17 executive budget - Up to 2% for classified employees in lower half of salary range	\$7,817,852	\$5,515,002	\$13,332,854
2015-17 executive budget - Market equity	\$12,438,542	\$1,852,011	\$14,290,553

Appendix B provides detail on market equity funding by agency.

### RECRUITMENT, RETENTION, AND ENERGY IMPACT BONUSES

North Dakota Century Code Section 54-06-31 authorizes state agencies to develop programs to provide bonuses to recruit or retain employees in hard-to-fill positions. Agencies use funding available in their salaries and wages line item to provide these bonuses. In addition, the 2013 Legislative Assembly appropriated \$8.5 million, of which \$4 million is from the general fund for a state agency energy development impact funding pool. Agencies were authorized to apply for allocations from the pool for employee housing rental assistance and for temporary salary increases for employees affected by energy development. The Office of Management and Budget reviewed the applications and provided a recommendation to the Emergency Commission for final approval or rejection. The executive budget includes \$14.7 million to continue an energy development impact funding pool for the 2015-17 biennium. The schedule below provides the amounts spent on recruitment and retention bonuses since the 2009-11 biennium, the allocations of funds from the energy development impact funding pool for the 2013-15 biennium, and proposed funding for the 2015-17 biennium.

Biennium	Recruitment Bonuses	Retention Bonuses	Energy Impact Bonuses	Total
2009-11	\$337,771	\$1,533,593	\$0	\$1,871,364
2011-13	\$480,567	\$702,455	\$0	\$1,183,022
2013-15	\$303,209 <sup>1</sup>	\$278,955 <sup>1</sup>	\$8,021,994	\$8,604,158
2015-17 executive budget	N/A	N/A	\$14,700,000	\$14,700,000

<sup>1</sup>Reflects only the first year of the biennium.

Appendix C provides detail of recruitment, retention, and energy impact bonus funding by agency.

### COMPENSATION PHILOSOPHY STATEMENT

Section 54-44.3-01.2, as enacted by 2011 House Bill No. 1031, creates a compensation philosophy statement for the classified state employee system as follows:

**54-44.3-01.2. Compensation philosophy statement.**

The compensation program for classified state employees must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota. For purposes of this section, "compensation" is defined as base salary and related fringe benefits.

The compensation program must:

1. Provide a competitive employee compensation package based on job content evaluation, internal equity, and external competitiveness balanced by the state's fiscal conditions.
2. Be based on principles of fairness and equity.
3. Include a consistent compensation policy which allows for multiple pay structures to address varying occupational specialties.
4. Set the external competitiveness target for salary range midpoints at a competitive level of relevant labor markets. For purposes of this section, "relevant labor markets" is defined as the labor markets from which the state attracts employees in similar positions and the labor markets to which the state loses employees in similar positions.
5. Include a process for providing compensation adjustments that considers a combination of factors, including achievement of performance objectives or results, competency determinations, recognition of changes in job content, and acquisition and application of advanced skills or knowledge.
6. Provide funding for compensation adjustments based on the dollar amounts determined necessary to provide competitive compensation in accordance with the state's compensation philosophy. Funding for compensation adjustments may not be provided as a statewide percentage increase attributable to all employees nor as part of a statewide pool of funds designated for addressing equity issues.
7. Consider the needs of the state as an employer and the tax effect on North Dakota citizens. The office of management and budget shall develop and consistently administer the compensation program for classified state employees and ensure that state agencies adhere to the components of the state's compensation philosophy. The office of management and budget shall regularly conduct compensation comparisons to ensure that the state's compensation levels are competitive with relevant labor markets.

The legislative assembly recognizes the importance of providing annual compensation adjustments to employees based on performance and equity to maintain the market competitiveness of the compensation system.

**COMPENSATION SYSTEM**

Beginning July 2012, Human Resource Management Services implemented a new set of salary grades based on a Hay Group compensation study. The grades range from A to V, and all job classes were evaluated for placement into the new grades. For each grade, the minimum salary level represents 75 percent of the market policy point, and the maximum salary amount represents 125 percent of the market policy point.

Market policy points were determined based on Job Service North Dakota data, regional state government data, Hay Group compensation database information, and information from a custom survey of 103 benchmark job classes of North Dakota employers. The previous compensation system used data from Job Service North Dakota and 10 regional state governments. Market policy points under the new system are established at 100 percent of market. As part of the implementation of the Hay System in 2011-12, a custom salary survey was completed in 2011 to determine the appropriate market pay for position classifications. These salary ranges were increased by 3 percent for each year of the 2013-15 biennium. Human Resource Management Services completed a custom salary survey again in 2014 and anticipates increasing the salary ranges by 3 percent for each year of the 2015-17 biennium.

The 2013 Legislative Assembly in House Bill No. 1015 provided that the goal of the classified state employee compensation program be a compensation ratio of 95 percent of the market policy points used during state fiscal year 2013. The compensation ratio is the percent of salary to the market policy point. Human Resource Management Services reported a compensation ratio of 94 percent in August 2014 compared to 93 percent in December 2013. The average classified state employee salary was \$53,114 in August 2014 compared to \$50,942 in December 2013. The 2015-17 executive budget compensation package, including the 3 to 5 percent

performance increases, the up to 2 percent market equity increases for eligible employees below the market policy point for their salary range, and the targeted market equity funding for selected agencies, is intended to achieve a compensation ratio of 98 percent by 2017.

### HEALTH INSURANCE

Group medical insurance is available to eligible state employees, as provided for in Chapter 54-52.1. To be eligible, an employee must be at least 18 years of age, occupy a regularly funded position, work a minimum of 20 hours per week, and work at least 20 weeks each year. Temporary employees who work a minimum of 20 hours per week and 20 weeks per year may purchase health insurance at their own expense or the employing agency may pay the premium.

The state pays a combination rate which is a blended rate for each employee whether a single or family plan is chosen. The following schedule lists the funds appropriated each biennium for the cost of health insurance premiums for state employees:

Biennium	General Fund	Special Funds	Total
2009-11	\$78,143,808	\$99,418,656	\$177,562,464
2011-13	\$104,425,224	\$87,205,344	\$191,630,568
2013-15	\$114,900,288	\$100,172,136	\$215,072,424
2015-17 (executive recommendation)	\$153,419,304	\$108,227,664	\$261,646,968

The following schedule summarizes the health insurance premium increases for state employees, as well as the cost to the state for the health insurance increase by funding source:

Biennium	Monthly Premium	Increase From Previous Biennium	Percentage Change From Previous Biennium	Cost of Increase		
				General Fund	Special Funds	Total
2009-11	\$826	\$168	25.5%	\$15,889,790	\$20,215,824	\$36,105,614
2011-13	\$887	\$61	7.4%	\$7,179,809	\$5,995,847	\$13,175,656
2013-15	\$982	\$95	10.7%	\$11,127,312	\$9,700,989	\$20,828,301
2015-17 (executive recommendation)	\$1,162	\$180	18.3%	\$23,872,176	\$16,840,315	\$40,712,491

Under the federal Affordable Care Act, temporary employees that meet certain criteria, effective January 1, 2015, must be offered health insurance coverage. This will require the state to contribute to the cost of health insurance premiums for eligible temporary employees. A temporary employee health insurance pool was created in the Office of Management and Budget to provide for the potential increased cost of health insurance premiums for temporary employees, as detailed in the following schedule:

Biennium	General Fund	Special Funds	Total
2013-15	\$1,000,000	\$1,000,000	\$2,000,000
2015-17 (executive recommendation)	\$5,000,000	\$5,000,000	\$10,000,000

### RETIREMENT CONTRIBUTION INCREASES

The following schedule summarizes the retirement contribution increases for the main state employee retirement system:

Biennium	Percentage Increase/Effective Date of Increase	Employee Contribution	Employer Contribution	Cost of Increase		
				General Fund	Special Funds	Total
2011-13	1989 through December 31, 2011	4% <sup>1</sup>	4.12%			
	1 percent increase - Effective January 1, 2012	5% <sup>1</sup>	5.12%	\$3,634,016	\$3,163,646	\$6,797,662
	1 percent increase - Effective January 1, 2013	6% <sup>1</sup>	6.12%	\$1,211,339	\$1,054,549	\$2,265,888
2013-15	1 percent increase - Effective January 1, 2014	7% <sup>1</sup>	7.12%	\$3,896,956	\$3,519,793	\$7,416,749
2015-17	Executive recommendation of 1 percent increase - Effective January 1, 2016	8% <sup>1</sup>	8.12%	\$4,767,239	\$3,362,931	\$8,130,170

<sup>1</sup>In lieu of salary increases in 1983 and 1984, the state began paying 4 percent of the employee contribution.

## **CURRENT STATE RETIREMENT PLANS**

The Public Employees Retirement System (PERS) includes the PERS main system, judges' retirement system, National Guard retirement system, law enforcement with prior main service, law enforcement without prior main service, an optional defined contribution retirement plan, Highway Patrolmen's retirement system, Job Service North Dakota retirement plan, and retiree health benefits fund.

The Legislative Assembly authorized the use of the optional defined contribution retirement plan effective January 1, 2000. Prior to October 1, 2013, the plan was available to state employees in positions not classified by Human Resource Management Services, excluding employees of the judicial branch and employees under the control of the State Board of Higher Education. Between October 1, 2013, and July 31, 2017, any new state employee who is eligible may elect to participate in the defined contribution plan. An eligible employee may make an election at any time during the first six months of employment to participate in the defined contribution plan rather than the defined benefit plan. An election to participate in the defined contribution plan is irrevocable.

## **RETIREE HEALTH CREDIT**

In 1989 the Legislative Assembly established a retiree health insurance credit program for the purpose of prefunding hospital benefits coverage and medical benefits coverage under the uniform group insurance program for retired members of PERS and the Highway Patrolmen's retirement system receiving retirement benefits or surviving spouses of those retired members who have accumulated at least 10 years of service. Upon retirement, an employee receives a credit for each year of service of the employee which will reduce the retiree's monthly health insurance premium.

The state contributes 1.14 percent of the monthly salaries for participating members. A participating member receives \$5.00 for each year of retirement service credit, subject to a reduction for early retirement. The state contribution was 1 percent of salaries for the period 1989 through the 2007-09 biennium. The 2009 Legislative Assembly increased the state contribution from 1 to 1.14 percent and increased the credit from \$4.50 to \$5.00 for each year of retirement service credit.

## **PROPOSED CHANGES TO THE STATE RETIREMENT SYSTEM**

### **House Bill No. 1080**

House Bill No. 1080, recommended as part of the executive budget, provides for a 2 percent increase in the retirement contributions on January 1, 2016. For the increase, it is recommended employees pay 1 percent of the increased contribution and the state pays the remaining 1 percent.

The bill amends the calculation of retirement benefits for certain participating members. The retirement benefits of participating members first enrolled before January 1, 2016, are calculated from the participating member's final average salary, which is the average of the highest salary received by the member for any thirty-six months employed during the last one hundred twenty months of employment. For participating members first enrolled after December 31, 2015, the final average salary is the average salary earned in the five highest twelve consecutive month periods employed during the last one hundred eighty months of employment. For participating members first enrolled before January 1, 2016, who worked for less than thirty-six months at the normal retirement date, the final average salary is the average salary for the total months of employment. For participating members first enrolled after December 31, 2015, who worked for less than sixty months at the normal retirement date, the final average salary is the average salary for the total months of employment.

The bill also amends one of the two eligible retirement dates for participating members. Participating members first enrolled before January 1, 2016, will remain at the Rule of 85 and will be required to have combined total of years of service credit and years of age equal to at least 85. Participating members first enrolled after December 31, 2015, must meet the Rule of 90, requiring a member to have combined total years of service and age equal to at least 90.

### **Senate Bill No. 2038**

Senate Bill No. 2038, recommended by the interim Government Finance Committee, provides for changes to the main state employee retirement plan. Under the bill, an eligible employee hired for the first time after December 31, 2015, will be required to enroll in the defined contribution plan, rather than the defined benefit plan. The bill does not affect Supreme Court or district court judges, employees eligible to participate in the National Guard retirement plan or the law enforcement plan, employees of a political subdivision, or employees of the State Board of Higher Education and state institutions under the jurisdiction of the board that are participating in the TIAA-CREF retirement plan. State employees currently in the defined benefit plan and those hired before January 1, 2016, who elect to participate in the defined benefit plan will continue to participate in the defined



benefit plan. However, during the last six months of 2016, a state employee participating in the defined benefit plan may make an irrevocable election to transfer to the defined contribution plan. The bill also changes the vesting period for employees participating in the defined contribution plan to allow for participants to fully vest in employer contributions after one year of service instead of four.

### **ACCRUED LEAVE PAYMENTS LINE ITEM**

For the 2013-15 biennium, the Legislative Assembly appropriated a portion of each agency's salaries and wages funding in a separate accrued leave payments line item for the purpose of making accrued annual and sick leave payments to eligible employees leaving state employment. The Legislative Assembly included a section in House Bill No. 1015, the Office of Management and Budget's appropriation bill, providing guidelines on the use of the funding. The Governor vetoed a portion of the language regarding the use of the funds and in the veto message indicated that "both the accrued leave and salary and wages lines remain available for payment of salaries by any agency". The Governor did, however, direct agencies to "rely first and foremost on the salary line and not access the accrued leave line for salary until necessary".

It appears agencies have not been consistent in the use of the funding included in the accrued leave payments line item during the 2013-15 biennium, with some agencies using it for making accrued annual and sick leave payments while others have not.

The 2015-17 executive budget does not include a separate accrued leave payments line item as part of each agency's appropriation. Some agencies have included specific funding in the agency's salaries and wages line item for paying accrued annual and sick leave while other agencies plan to make these payments from savings in the salaries and wages line item resulting from employee vacancies and turnover. The Legislative Council did include a portion of its salaries and wages funding request in a separate accrued leave payments line item for the 2015-17 biennium.

## FUNDING FOR STATE EMPLOYEE SALARIES AND BENEFITS (EXCLUDING HIGHER EDUCATION)

The table below details state employee compensation and benefits amounts provided for the 2007-09 through the 2013-15 bienniums and the amount of funding included in the 2015-17 executive budget recommendation for state employee salaries and benefits.

	2007-09 Biennium	2009-11 Biennium	Percentage Change From Previous Biennium	2011-13 Biennium	Percentage Change From Previous Biennium	2013-15 Biennium	Percentage Change From Previous Biennium	2015-17 Biennium Executive Recommendation <sup>1</sup>	Percentage Change From Previous Biennium
Permanent salaries	\$680,764,804	\$778,826,616	14.4%	\$914,992,094	17.5%	\$1,037,863,697	13.4%	\$1,165,725,678	12.3%
Salaries - Other	13,174,920	12,742,061	(3.3)%	12,014,339	(5.7)%	16,024,189	33.4%	18,633,450	16.3%
Salaries - Temporary	30,435,032	33,115,342	8.8%	52,180,305	57.6%	53,316,207	2.2%	58,216,874	9.2%
Salaries - Overtime	15,683,530	18,528,889	18.1%	20,697,711	11.7%	21,816,269	5.4%	25,104,161	15.1%
Fringe benefits	266,691,414	327,675,365	22.9%	375,812,205	14.7%	432,472,434	15.1%	517,104,800	19.6%
Total	\$1,006,749,700	\$1,170,888,273	16.3%	\$1,375,696,654	17.5%	\$1,561,492,796	13.5%	\$1,784,784,963	14.3%

<sup>1</sup>The 2015-17 executive budget includes funding for salary increases of 3 to 5 percent based on performance and up to 2 percent for classified employees in the first quartile of their salary range and up to 1 percent for classified employees in the second quartile of their salary range for market equity.

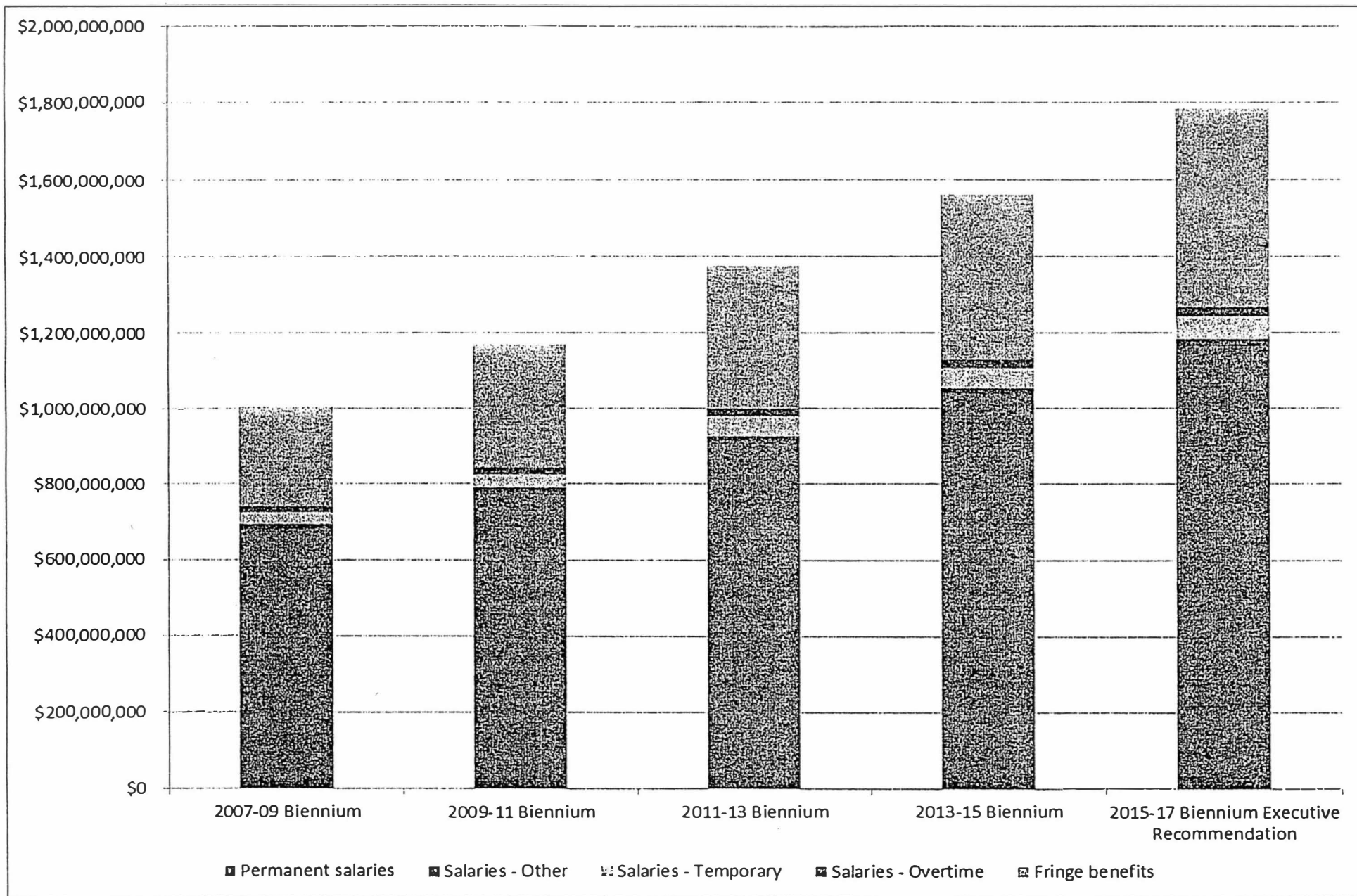
The table below details estimated future costs for state employee salaries and benefits based on the percentage increase from the 2013-15 biennium to the 2015-17 executive budget recommendation for state employee compensation and benefits.

Estimated Future Costs for State Employee Salaries and Benefits						
	2015-17 Biennium	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium
Estimated future costs based on executive budget recommendation <sup>1</sup>	\$1,784,784,963	\$2,040,009,213	\$2,331,730,530	\$2,665,167,996	\$3,046,287,019	\$3,481,906,063

<sup>1</sup>Assumes biennial increases of 14.3 percent for state employee salaries and benefits.

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The chart below details state employee compensation and benefits amounts provided from the 2007-09 biennium through the 2013-15 biennium and the amount of funding in the 2015-17 executive budget recommendation.



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# What Every State Employee Needs to Know



Presented By

ND Human Resource Management Services

[www.nd.gov/hrms](http://www.nd.gov/hrms)

701.328.3290

ND Public Employees Retirement System

[www.nd.gov/ndpers](http://www.nd.gov/ndpers)

701.328.3900

# A Message From the Governor



Governor Jack Dalrymple

North Dakota's state employees are the best in the nation. Their outstanding work and commitment to public service excellence are making a real difference in our communities and in the lives of our citizens."

<http://governor.nd.gov/home>

## GENERAL INFORMATION

### Employment Status Types

**Probationary Status**—Newly hired or reinstated employees; minimum 6 months in length; employment is at will, not requiring cause for dismissal.

**Temporary Status**—Employee is filling a position, not specifically appropriated by the legislature, for a limited duration; may or may not have been selected competitively; employment is at will, not requiring cause for dismissal.

**Regular Status**—Employee is in an approved, funded classified position; has successfully completed probationary period; is afforded protection from unfair or unjustified disciplinary action; may grieve employer actions and appeal certain grievance decisions.

### State Employee Perks

**Mediation Services**—HRMS has mediators available to help employees and managers resolve work-related disputes. Contact the HRMS Director for more information.

**Training**—The State of ND offers a variety of training for employees. Many courses are available through HRMS (<http://www.nd.gov/hrms/employees/training.html>).

**Suggestion Incentive Program**—Employees submitting cost-saving suggestions are eligible to receive 20 percent of the first year's realized savings, up to a maximum of \$4000. All state employees are eligible except agency heads, administrators, or supervisors considered management level. This program is administered by a committee of agency heads appointed by the Governor. (NDCC 54-06-24)

**Service Awards**—Employees are eligible to receive service awards based on years of service, incrementally beginning at 3 years. (NDAC 4-07-18)

## Important Facts

**Political Activity**—You have the right to vote as you please; no employer can deny you this right or attempt to influence you. No public employee can engage in political activities while on duty or in uniform. Some State employees whose principal employment is in an activity financed in whole or in part by federal funds are covered by the federal Hatch Act, which defines activities in which employees may participate. State agencies and political subdivisions cannot restrict employees from speaking on their own behalf to any member or committee of the legislative assembly. (NDCC 34-11.1)

**Conflict of Interest**—You should not hold a position or serve on a board that would conflict with your employment duties. Any secondary employment should be discussed with your agency appointing authority to avoid any possible conflict. State employees may not receive remuneration in any form from an individual, business, or corporation for services rendered while acting as an agent or employee of the State.

**Computer Security** — The State of ND has the right and capability to monitor your computer activity. Review your agency's policy manual for more information.

**Personnel Records** — ND is an open records state and, therefore, most of the material in your personnel file can be viewed by the public, excluding your medical records which should be kept in a separate file. Some information, such as social security numbers, is confidential and will not be released to the public.

## FRINGE BENEFITS

(<http://www.nd.gov/hrms/employees/benefits.aspx>)

### Annual Leave (NDAC 4-07-12)

- ☐ Regular and probationary employees accrue leave monthly (pro-rated for part-time employees):

Years of Service	Hours of Annual Leave	Days of Annual Leave
0-1	0	0
1-2	16	2
2-3	32	4
3-4	48	6
Over 4	64	8

- ☐ No more than 240 hours of accrued annual leave may be carried forward beyond April 30 of each year.
- ☐ Annual leave balance is paid at termination of employment..
- ☐ When an employee transfers to another state agency, annual leave may be transferred to the extent accepted by the new agency. Annual leave not accepted by the new agency must be paid for by the former agency. The annual leave accrual rate is retained for up to a 3-year break in service.

### Sick Leave (NDAC 4-07-13)

- ☐ Regular and probationary employees accrue leave at a rate of 8 hours/month (12 days/year) with no limit.
- ☐ Employees may use sick leave for illness or other medical needs, i.e. doctor appointments.
- ☐ Employees may also use up to 80 hours per year to care for their child, spouse, or parent who is ill or to assist them in obtaining other services related to their health or well-being.

- Upon approval, an employee may take an additional 10 percent of their accrued sick leave per year to care for their child, spouse, or parent with a serious health condition.
- Employees may use sick leave to participate in an employee assistance program.
- Employees with 10 continuous years of service are eligible to be paid for 10 percent of their sick leave upon termination of state employment.
- When an employee transfers to another state agency, the sick leave balance is retained and assumed by the new agency.

**Family & Medical Leave (NDCC 54-52.4, Public Law 103-3)**

- Employees must have been employed by the State at least 12 months and worked at least 1,250 hours over the 12 previous months to be eligible for this benefit.
- An eligible employee is entitled to 12 workweeks of unpaid leave for specified family or medical reasons such as: birth or care of newborn, placement or care of newly adopted or foster child, employee's immediate family member's serious health condition, or deployment activities of employee's immediate family.
- An eligible employee is entitled to 26 workweeks of leave to care for covered service member recovering from serious illness or injury sustained in active duty.
- State continues to pay for health insurance during leave.
- Upon return, the employee must be restored to the same or equivalent position that they held prior to their leave.

**Leave Sharing (NDCC 54-06-14.1 & 54-06-14.2)**

- Regular employees may be eligible to give or receive donations of annual or sick leave in case of severe illness, injury, impairment, or physical or mental condition if the employee has exhausted all available accrued leave.

**Funeral Leave (NDAC 4-07-14)**

- Up to 24 hours of paid leave may be granted for a death in the employee's spouse's immediate family, which includes: spouse, child, parent, stepparent, brother, sister, brother-in-law, sister-in-law, grandparent, grandchild, stepchild, foster parent, foster child, son-in-law, daughter-in-law.

**Holidays (NDCC 1-03-01, NDAC 4-07-07)**

- Regular and probationary employees receive 10 paid holidays per year: New Year's Day, Martin Luther King Jr. Day, Presidents' Day, Good Friday, Memorial Day, Independence Day, Labor Day, Veterans' Day, Thanksgiving Day, and Christmas Day
- In addition, state offices close at noon on Christmas Eve day when it falls on Monday through Thursday.
- A holiday occurring on Saturday or Sunday is observed the preceding Friday or succeeding Monday (does not apply to Christmas Eve closure).

**Group Benefit Programs**

Administered by ND Public Employees Retirement System (NDPERS)

Employees are eligible for the following benefits if they are at least 18 years of age, occupy a regularly funded position which is not limited in duration, and work a minimum of 20 hours per week and at least 20 weeks each year.

**Health Insurance**

- The State offers a health plan with a PPO network to regular, full time employees. Temporary, non-seasonal employees who are reasonably expected to work 30 hours per week or 130 hours per month will be offered health insurance. The employer cannot charge eligible, temporary employees a premium that exceeds the affordability rules defined by the Federal Affordable Care Act for single coverage. If applicable, eligible, temporary employees may

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purchase coverage for dependents at their own expense or their employer may pay the premium subject to budget authority.

- The State also offers a High Deductible Health Plan (HDHP) with a Health Savings Account (HAS) to regular, full-time employees. This plan is not available to temporary employees.
- The State pays the premium for either plan for regular, full-time employees.

#### **Life Insurance**

- Basic life insurance benefit is \$3500; the State pays the full premium.
- Supplemental coverage for employee or dependents may be purchased at employee's own expense.
- Temporary employees who work a minimum of 20 hours per week and at least 20 weeks each year may purchase life insurance at their own expense.

#### **Employee Assistance Program (EAP)**

- The State pays the full premium.
- Provides short-term counseling services to assist employees and their eligible dependents in dealing with personal issues. Assistance is CONFIDENTIAL.
- Contact designated agency EAP provider, supervisor, human resource or administrative staff for information.

#### **Voluntary Group Insurance Programs**

- Dental Insurance - Employee pays full premium.
- Vision Insurance - Employee pays full premium.

#### **Retirement Programs**

Based on monthly salary, the following contributions are made toward employee's retirement:

Effective Dates	State Contributes	State Contributes on Behalf of Employees	Employee Contributes	Total
1/1/14	7.12%	4%	3%	14.12%

The contributions apply to both the Defined Benefit Hybrid Plan and the Defined Contribution Plan.

New employees will automatically be enrolled in the Defined Benefit Hybrid Plan. However, they will have six months to decide whether to transfer to the Defined Contribution Plan. Informational materials will be sent by NDPERS to assist in their decision. Key features of each plan:

#### **Defined Benefit Hybrid Plan**

An account is established on an employee's behalf, and contributions are made to the account by the employee and employer. If vested, employees are guaranteed a monthly benefit for life at retirement.

- The amount of benefit is dependent on years of service, the benefit multiplier, age at which employee retires, and final average salary, which is the average of highest salaries for 36 non-consecutive months of the last 180 months worked.
- Employees, excluding highway patrol and judges, become vested at 36 months of service.
- Temporary employees may participate at their own expense regardless of number of hours worked.

#### **Defined Contribution Plan**

An account is established on an employee's behalf, and contributions are made to the account by the employee and employer. The duration of benefits is dependent on account balance and the distribution option selected.

- The amount of benefit will be determined by investment allocation, the length of time invested, vesting status, and the performance of investments.
- The plan has a vesting schedule as follows: 50% after two years of service, 75% after three years of service, and 100% after four years of service.
- Temporary employees are not eligible to participate in this plan.

### Retiree Health Insurance Credit Program (RHIC)

- ☐ The RHIC program provides, upon retirement, a credit which can be used to offset the health insurance premium.
- ☐ The RHIC is based on years of service credit times \$5.
- ☐ The State contributes 1.14% of employee's monthly salary.
- ☐ Temporary employees must participate in the Retirement Program to be eligible and may participate at their own expense.

### Deferred Compensation Plan

- ☐ Voluntary supplemental retirement plan under Section 457 of Internal Revenue Code
- ☐ Allows employees to make pre-tax contributions into investments with eligible providers.

### FlexComp Plan

- ☐ Established and administered under Section 125 of Internal Revenue Code.
- ☐ Allows employees to pay certain eligible expenses with dollars contributed before payroll taxes are deducted. Eligible expenses include certain insurance premiums and medical and dependent care expenses.

### Payroll

In most state agencies, payday is on the first working day of the month. Your pay check will be directly deposited in any U.S. financial institution of your choice. Pay is subject to or eligible for various deductions or withholding:

- ☐ **Federal and State Income Tax** - Required by law and based on information you provide on a W-4 form.
- ☐ **FICA (Social Security)** - Required by law and based on a percentage of pay up to a specified maximum. The employer also contributes a similar percentage of employee's pay each pay period.

- ☐ **Medicare** - Required by law and based on a percentage of employee's pay.
- ☐ **Optional Deductions** - For convenience, employees may choose payroll deductions for Supplemental Group Life Insurance and other group insurances, Deferred Compensation, etc.
- ☐ **Overtime** - Employees who are not exempt from overtime, as defined by the Fair Labor Standards Act, must be paid at 1½ times their hourly wage or receive time off at a rate of 1½ times the hours worked when working over 40 hours per work week.
- ☐ Contact agency human resource officer, payroll officer, or OMB payroll office for more information.

*Nothing in this brochure is intended to represent a firm condition of employment, and the language is not intended to create an employment contract between the State of North Dakota and its employees.*

## North Dakota Human Resources Management Services

### Managers: Compensation and Salary Ranges

Philosophy [</hrms/managers/philosophy.html>] | Legislative Intent [</hrms/managers/intent.html>] | Range Structure [</hrms/managers/structure.html>] | Range Tables [</hrms/managers/table.html>] | Increase History

### Salary Increase and Pay Range History

Date	Amount	Specific Provisions	Salary Range Movement	
			Minimum	Maximum
July 1, 1983	2%	Retirement Contribution in lieu of salary increase		0
May 1, 1984	\$60/mo	Not appropriated but allowed by Governor within available agency funds		0
July 1, 1984	2%	Retirement Contribution in lieu of salary increase		0
April 1, 1985	5.5%	Minimum increase of \$50	5.5% or \$50	Ranged from 12.8% at gr 5 to 6.8% at gr 40
July 1, 1986	4%	Minimum increase of \$50	4% or \$50	4% or \$50
July 1, 1987	0%	1		0
July 1, 1988	0%	1		0
July 1, 1989	7.1%	Minimum increase of \$50	5% or \$50	5% or \$50
July 1, 1990	0%	1		0
July 1, 1991	4%	Minimum increase of \$50	4% or \$50	4% or \$50
July 1, 1992	\$40/mo	Averaged approximately 2%	0	\$40

July 1, 1993	\$60/mo	Averaged approximately 3.2%	\$60	\$60
July 1, 1994	3%	1	0	3%
July 1, 1995	2%	1		2%
July 1, 1996	3%	2% across the board; 1% for performance, range compression, & equity		2%
July 1, 1997	3%	\$30 across the board; remainder of 3% appropriation based on merit & equity	\$30	3%
July 1, 1998	3%	\$30 across the board; remainder of 3% appropriation based on merit & equity	\$30	3%
July 1, 1999	2%	\$35 across the board; remainder of 2% appropriation based on merit & equity	Salary ranges recalculated for market component; grades compressed from 44 to 20	
July 1, 2000	2%	\$35 across the board; remainder of 2% appropriation based on merit & equity (additional 1% allowed with funding from existing appropriations)		2%
July 1, 2001	3%	\$35 across the board; remainder of 3% appropriation based on merit & equity	Salary ranges recalculated for market component	
July 1, 2002	2%	\$35 across the board; remainder of 2% appropriation based on merit & equity		2%
January 1, 2004	Up to 1%	Across the board; funding from permanent (pooled) savings from elimination of 176 FTEs in biennium		0
January 1, 2005	Up to 2%	Across the board; funding from permanent (pooled) savings from elimination of 176 FTEs in biennium		0
July 1, 2005	4%	Across the board		4%
July 1, 2006	4%	Across the board		4%
July 1, 2007	4% Appropriation	Based on performance and/or equity; minimum of \$75	Salary ranges recalculated for market component	
July 1, 2008	4% Appropriation	Based on performance and/or equity; minimum of \$75		3%



July 1, 2009	5% Appropriation	Based on performance and equity; minimum of \$100	5% - 9.5%
July 1, 2010	5% Appropriation	Based on performance and equity; minimum of \$100	5%
July 1, 2011	3% Appropriation	Based on performance and equity; generally minimum of 1%	3%
July 1, 2012	3% Appropriation	Implementing recommendations from the 2009-11 legislative study of state employee compensation – new job evaluations, new grade structure, market-based salary ranges	
July 1, 2013	4% Appropriation	Performance component: Range of 3-5% if meeting performance expectations; Market component 2% for employees in 1st quartile and 1% for employees in 2nd quartile of 2012-2013 salary range.	3%
July 1, 2014	3% Appropriation	Performance component: Range of 2-4% if meeting performance expectations; Market component 2% for employees in 1st quartile and 1% for employees in 2nd quartile of 2012-2013 salary range.	3%

## North Dakota Human Resources Management Services

### State Employees: Benefits

#### Employee Benefits

The value of benefits is a significant part of your total compensation. The following benefits are available to employees who:

- are at least 18 years old,
- occupy a regularly funded position, and
- work a minimum of 20 hours per week for at least 20 weeks each year.

Enter your salary and the number of annual leave hours you earn, then click Calculate to determine the total value of your benefits.

**Salary:** \$50,000  
**Annual Leave:** 12 hrs/month

The following value of benefits is based on a classified employee earning \$50,000 annually.

Benefits		Employer Cost	Employee Cost
Annual Leave	12 hours/month	\$3,461.76	
Sick Leave	8 hours/month	\$2,307.84	
Holidays	10 days	\$1,923.20	
Health Insurance	Family Coverage	\$11,780.16	
Life Insurance	3,500 Coverage	\$3.36	
Retirement	14.12% Total		
	(7.12% Employer)	\$3,560.00	
	(4% Employee paid by Employer)	\$2,000.00	
	(3% Employee)		\$1,500.00
Retiree Health Credit	(1.14% Employer Health Insurance Credit Contribution)	\$570.00	
Employee Assistance Program	Employee and Dependent Coverage	\$18.48	
<b>Total Benefit Cost:</b>		<b>\$25,624.80</b>	<b>\$1,500.00</b>
<b>Percent of Salary:</b>		<b>51.2%</b>	

For more information about benefits, go to the "What Every State Employee

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## North Dakota Human Resources Management Services



### Managers: Compensation and Salary Ranges

Philosophy [</hrms/managers/philosophy.html>] | Legislative Intent | Range Structure [</hrms/managers/structure.html>] | Range Tables [</hrms/managers/table.html>] | Increase History [</hrms/managers/history.html>]

### 2013 Legislative Intent

House Bill 1015 [<http://www.legis.nd.gov/assembly/63-2013/documents/13-8144-08000.pdf?20130716160827>]

#### July 1, 2013 (paid August 1)

- Performance Component: Range of 3-5% (budgeted at average of 4%)
  - Base Increase of 3% for employees meeting performance standards
  - Base Increase up to 5% for employees whose overall documented performance exceeds standards
  - Base Increase of less than 3% may be considered if portions of an employee's documented performance do not meet standards but the employee's overall performance is acceptable
  - If an employee's overall documented performance does not meet standards, he/she is not eligible for any increase. (i.e. performance improvement plan in place, job may be in jeopardy)
- Market Component
  - Base Increase up to 2% for employees whose salary is in the 1st quartile of their 2012-2013 salary range
  - Base Increase up to 1% for employees whose salary is in the 2nd quartile of their 2012-2013 salary range
  - Flexibility is allowed to avoid creating equity issues due to the market component
  - If an employee's overall documented performance does not meet standard, he/she is not eligible for any increase. (i.e. performance improvement plan in place, job may be in jeopardy)
- In the budget development, each of the increase components was independently calculated on the Base Salary (no compounding of Performance & Market)
- HRMS proposed and the State Personnel Board approved an increase to the salary ranges of 3% on July 1, 2013 and July 1, 2014.

- Additional Considerations
  - Increases for regular non-classified employees are to be in a range of 3-5% (July 2013) based on market and documented performance. (budgeted at average of 4%)
  - Probationary employees are not entitled to the market or performance increases but may be given all or a portion of the increases upon completion of the probationary period at the discretion of the agency.
  - In all instances, an employee whose documented overall performance does not meet standards is not eligible for any salary increase.
- On January 1, 2014 the state will contribute an additional 1% to the retirement fund along with an additional 1% deduction from each employee's salary toward the retirement fund. As of January 1, 2014 the contributions will be:
  - 7.12% - State Contribution
  - 4% - Employee Contribution paid by the State
  - 3% - Employee Contribution by payroll deduction
  - 1.14% - Retiree Health Contribution paid by the State
- The State is providing an additional \$95/month Health Insurance Premium contribution (approximately 2.4% based on overall average salary).

House Bill 1246  
Pam Sharp  
Office of Management and Budget

1246  
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Good morning Chairman Kasper and members of the Government and Veteran's Affairs Committee.

NDCC 54-44.3-01.2 provides that the Office of Management and Budget regularly conduct compensation comparisons to ensure that the state's compensation levels are competitive with relevant labor markets. This bill proposes that we add fifty percent of the value of the state's share of health insurance and fifty percent of the state's contribution of retirement benefits to the salaries and then compare that to the salaries in a relevant labor market. That would result in a meaningless comparison. It would be comparing apples and oranges – actually an apple to an apple plus half an orange.

That would make sense if that type of information was also available for other organizations in the marketplace. However, that is not the case. The best approach is to use all of the information that is available. Comparing apples to apples means comparing **base pay to base pay** and **total compensation to total compensation**.

Because of the meaningless comparison that would result if this bill were passed, I oppose this bill and ask you to vote no.

# Component Analysis

## Fringe Benefits

### Market Comparison Summary

Benefit Area	Market Comparison	Key Findings
Total Benefits	At Market	Market position of health care, retirement and time-off weigh heavily in overall benefit program competitiveness.
Death	Below Market	The State's low flat dollar benefit of \$1,300 is well below both market comparator groups. Employee paid supplemental offering does provide employee with higher coverage, but does not enhance value significantly.
Disability	Below Market	Accrual of 12 days per year with no maximum is consistent with other Central US States; however LTD benefit through defined benefit plan is less competitive and less common than stand alone LTD plan.
Health Care	At Market	No employee contributions and low out of pocket maximums offset other plan design features to put the State's program at market.
Retirement	At Market	High benefit accrual in defined benefit plan offsets lack of employer match in the defined contribution plan.
Time-Off	At Market	The number of paid holidays and vacation schedule is at market for both Central US States and the general market.
Other	Below Market	Limited offering of flexible spending accounts and no employer paid benefits is below both Central US States and general market.

## Summary of Analyses (cont'd)

### 5. Fringe Benefits

- The State offers a sound, comprehensive and cost-effective benefits program with the healthcare and retirement programs being its strength and the Life and Disability programs being less competitive
- It is the opinion of Hay Group that this program does not need significant changes and the focus of changes as an outcome of this review should be on the classification and compensation components

### 6. Recruitment and Retention Tools

- The use of recruitment bonuses is a positive feature of the State's program and has helped the State in its recruitment process
- Similar to the recruitment bonus, the retention bonus is a positive feature
- The performance management process of the State is sound and Hay Group was impressed with the strength of the performance metrics being used. Agencies show a real commitment to agency and employee performance

# What are the results of the analysis of the Non Cash Survey questions?

In addition to analyzing market competitiveness for actual salaries and salary structures, data was collected from the Custom Survey participants in two categories:

- Salary Administration practices; and
- Changes made in benefits programs since the 2011 survey.

These changes in the benefits program for participants should be seen in light of the following:

- The results of the analysis of the State's benefits program in 2011 showed it to be 5-7% above the market average with the primary driver of that level of competitiveness being the retirement plan.
- Retirement benefits were at P75 as compared to the private sector;
- Healthcare and time off benefits were at the market median; and
- Death and disability benefits were at P25.

In addition, it is important to note the changes in employee contribution to the retirement plan that will have impacted the level of competitiveness of that plan component.



# How should the State use the results of this project in its salary planning and pay delivery?

When the State implemented the results of the 2011 study with effect July 2012, it not only implemented a salary structure that was more focused on competitiveness with in-State employers, it also adopted salary budgeting and pay delivery mechanisms that were and continue to be at the forefront of innovation in State Governments and aligned with such components in the private sector.

It is the opinion of Kenning Consulting that the main message from the results of this analysis is **Stay the Course**, based on the following:

- Salary ranges have been moved by 3% with effect July 2014. This will help to close the gap on competitiveness of ranges with the in-State market. Moving ranges by not less than 7% in the 2015-2017 biennium will keep salary ranges in the realm of reasonable competitiveness and will aid in recruitment.
- Continue to base pay delivery on relativity to MPP and performance. Feedback from both HRMS and the Agencies indicate that this process worked very well in 2013-2014 and should continue.
- Consider targeted funding for classifications in the Occupational Groups as identified in the analysis that lag the market the greatest amount.
- Continue to make cash compensation the primary focus, while taking opportunities where appropriate to achieve the optimal mix between salaries and benefits.

## STATE EMPLOYEE SALARY AND BENEFIT INFORMATION

This memorandum provides information on funding approved by the Legislative Assembly for state employee salary and fringe benefits as well as changes to salary and fringe benefits since the 2009-11 biennium.

### TOTAL SALARY FUNDING

Appendix A provides information on total salary and fringe benefits funding for state employees since the 2007-09 biennium.

### GENERAL SALARY INCREASES

The schedule below provides information on the funding provided by the Legislative Assembly for general salary increases for state employees since the 2009-11 biennium.

Biennium/Authorized Increase	General Fund	Special Funds	Total
2009-11 - 5% July 2009 and 5% July 2010 (\$100 per month minimum)	\$36,821,006	\$31,667,339	\$68,488,345
2011-13 - 3% July 2011 and 3% July 2012	\$23,920,117	\$20,892,142	\$44,812,259
2013-15 - 3% to 5% July 2013 and 2% to 4% July 2014	\$33,078,111	\$29,389,061	\$62,467,172
2015-17 executive budget - 3% to 5% July 2015 and 3% to 5% July 2016	\$44,409,140	\$31,327,331	\$75,736,471

### SPECIAL MARKET EQUITY SALARY INCREASES

The schedule below provides information on the funding provided by the Legislative Assembly for special market equity salary increases for state employees since the 2009-11 biennium.

Biennium/Authorized Increase	General Fund	Special Funds	Total
2009-11 - Statewide equity pool	\$9,000,000	\$6,984,000	\$15,984,000
2009-11 - Other specified agency increases	\$135,100		\$135,100
2011-13 - Specified agency increases	\$706,832	\$600,000	\$1,306,832
2013-15 - Up to 2% for classified employees in lower half of salary range	\$8,190,768	\$5,162,677	\$13,353,445
2013-15 - Other specified agency increases	\$1,584,756	\$127,829	\$1,712,585
2015-17 executive budget - Up to 2% for classified employees in lower half of salary range	\$7,817,852	\$5,515,002	\$13,332,854
2015-17 executive budget - Market equity	\$12,438,542	\$1,852,011	\$14,290,553

Appendix B provides detail on market equity funding by agency.

### RECRUITMENT, RETENTION, AND ENERGY IMPACT BONUSES

North Dakota Century Code Section 54-06-31 authorizes state agencies to develop programs to provide bonuses to recruit or retain employees in hard-to-fill positions. Agencies use funding available in their salaries and wages line item to provide these bonuses. In addition, the 2013 Legislative Assembly appropriated \$8.5 million, of which \$4 million is from the general fund for a state agency energy development impact funding pool. Agencies were authorized to apply for allocations from the pool for employee housing rental assistance and for temporary salary increases for employees affected by energy development. The Office of Management and Budget reviewed the applications and provided a recommendation to the Emergency Commission for final approval or rejection. The executive budget includes \$14.7 million to continue an energy development impact funding pool for the 2015-17 biennium. The schedule below provides the amounts spent on recruitment and retention bonuses since the 2009-11 biennium, the allocations of funds from the energy development impact funding pool for the 2013-15 biennium, and proposed funding for the 2015-17 biennium.

Biennium	Recruitment Bonuses	Retention Bonuses	Energy Impact Bonuses	Total
2009-11	\$337,771	\$1,533,593	\$0	\$1,871,364
2011-13	\$480,567	\$702,455	\$0	\$1,183,022
2013-15	\$303,209 <sup>1</sup>	\$278,955 <sup>1</sup>	\$8,021,994	\$8,604,158
2015-17 executive budget	N/A	N/A	\$14,700,000	\$14,700,000

<sup>1</sup>Reflects only the first year of the biennium.

Appendix C provides detail of recruitment, retention, and energy impact bonus funding by agency.

### COMPENSATION PHILOSOPHY STATEMENT

Section 54-44.3-01.2, as enacted by 2011 House Bill No. 1031, creates a compensation philosophy statement for the classified state employee system as follows:

**54-44.3-01.2. Compensation philosophy statement.**

The compensation program for classified state employees must be designed to recruit, retain, and motivate a quality workforce for the purpose of providing efficient and effective services to the citizens of North Dakota. For purposes of this section, "compensation" is defined as base salary and related fringe benefits.

The compensation program must:

1. Provide a competitive employee compensation package based on job content evaluation, internal equity, and external competitiveness balanced by the state's fiscal conditions.
2. Be based on principles of fairness and equity.
3. Include a consistent compensation policy which allows for multiple pay structures to address varying occupational specialties.
4. Set the external competitiveness target for salary range midpoints at a competitive level of relevant labor markets. For purposes of this section, "relevant labor markets" is defined as the labor markets from which the state attracts employees in similar positions and the labor markets to which the state loses employees in similar positions.
5. Include a process for providing compensation adjustments that considers a combination of factors, including achievement of performance objectives or results, competency determinations, recognition of changes in job content, and acquisition and application of advanced skills or knowledge.
6. Provide funding for compensation adjustments based on the dollar amounts determined necessary to provide competitive compensation in accordance with the state's compensation philosophy. Funding for compensation adjustments may not be provided as a statewide percentage increase attributable to all employees nor as part of a statewide pool of funds designated for addressing equity issues.
7. Consider the needs of the state as an employer and the tax effect on North Dakota citizens. The office of management and budget shall develop and consistently administer the compensation program for classified state employees and ensure that state agencies adhere to the components of the state's compensation philosophy. The office of management and budget shall regularly conduct compensation comparisons to ensure that the state's compensation levels are competitive with relevant labor markets.

The legislative assembly recognizes the importance of providing annual compensation adjustments to employees based on performance and equity to maintain the market competitiveness of the compensation system.

**COMPENSATION SYSTEM**

Beginning July 2012, Human Resource Management Services implemented a new set of salary grades based on a Hay Group compensation study. The grades range from A to V, and all job classes were evaluated for placement into the new grades. For each grade, the minimum salary level represents 75 percent of the market policy point, and the maximum salary amount represents 125 percent of the market policy point.

Market policy points were determined based on Job Service North Dakota data, regional state government data, Hay Group compensation database information, and information from a custom survey of 103 benchmark job classes of North Dakota employers. The previous compensation system used data from Job Service North Dakota and 10 regional state governments. Market policy points under the new system are established at 100 percent of market. As part of the implementation of the Hay System in 2011-12, a custom salary survey was completed in 2011 to determine the appropriate market pay for position classifications. These salary ranges were increased by 3 percent for each year of the 2013-15 biennium. Human Resource Management Services completed a custom salary survey again in 2014 and anticipates increasing the salary ranges by 3 percent for each year of the 2015-17 biennium.

The 2013 Legislative Assembly in House Bill No. 1015 provided that the goal of the classified state employee compensation program be a compensation ratio of 95 percent of the market policy points used during state fiscal year 2013. The compensation ratio is the percent of salary to the market policy point. Human Resource Management Services reported a compensation ratio of 94 percent in August 2014 compared to 93 percent in December 2013. The average classified state employee salary was \$53,114 in August 2014 compared to \$50,942 in December 2013. The 2015-17 executive budget compensation package, including the 3 to 5 percent

performance increases, the up to 2 percent market equity increases for eligible employees below the market policy point for their salary range, and the targeted market equity funding for selected agencies, is intended to achieve a compensation ratio of 98 percent by 2017.

### HEALTH INSURANCE

Group medical insurance is available to eligible state employees, as provided for in Chapter 54-52.1. To be eligible, an employee must be at least 18 years of age, occupy a regularly funded position, work a minimum of 20 hours per week, and work at least 20 weeks each year. Temporary employees who work a minimum of 20 hours per week and 20 weeks per year may purchase health insurance at their own expense or the employing agency may pay the premium.

The state pays a combination rate which is a blended rate for each employee whether a single or family plan is chosen. The following schedule lists the funds appropriated each biennium for the cost of health insurance premiums for state employees:

Biennium	General Fund	Special Funds	Total
2009-11	\$78,143,808	\$99,418,656	\$177,562,464
2011-13	\$104,425,224	\$87,205,344	\$191,630,568
2013-15	\$114,900,288	\$100,172,136	\$215,072,424
2015-17 (executive recommendation)	\$153,419,304	\$108,227,664	\$261,646,968

The following schedule summarizes the health insurance premium increases for state employees, as well as the cost to the state for the health insurance increase by funding source:

Biennium	Monthly Premium	Increase From Previous Biennium	Percentage Change From Previous Biennium	Cost of Increase		
				General Fund	Special Funds	Total
2009-11	\$826	\$168	25.5%	\$15,889,790	\$20,215,824	\$36,105,614
2011-13	\$887	\$61	7.4%	\$7,179,809	\$5,995,847	\$13,175,656
2013-15	\$982	\$95	10.7%	\$11,127,312	\$9,700,989	\$20,828,301
2015-17 (executive recommendation)	\$1,162	\$180	18.3%	\$23,872,176	\$16,840,315	\$40,712,491

Under the federal Affordable Care Act, temporary employees that meet certain criteria, effective January 1, 2015, must be offered health insurance coverage. This will require the state to contribute to the cost of health insurance premiums for eligible temporary employees. A temporary employee health insurance pool was created in the Office of Management and Budget to provide for the potential increased cost of health insurance premiums for temporary employees, as detailed in the following schedule:

Biennium	General Fund	Special Funds	Total
2013-15	\$1,000,000	\$1,000,000	\$2,000,000
2015-17 (executive recommendation)	\$5,000,000	\$5,000,000	\$10,000,000

### RETIREMENT CONTRIBUTION INCREASES

The following schedule summarizes the retirement contribution increases for the main state employee retirement system:

Biennium	Percentage Increase/Effective Date of Increase	Employee Contribution	Employer Contribution	Cost of Increase		
				General Fund	Special Funds	Total
2011-13	1989 through December 31, 2011	4% <sup>1</sup>	4.12%			
	1 percent increase - Effective January 1, 2012	5% <sup>1</sup>	5.12%	\$3,634,016	\$3,163,646	\$6,797,662
	1 percent increase - Effective January 1, 2013	6% <sup>1</sup>	6.12%	\$1,211,339	\$1,054,549	
2013-15	1 percent increase - Effective January 1, 2014	7% <sup>1</sup>	7.12%	\$3,896,956	\$3,519,793	\$7,416,749
2015-17	Executive recommendation of 1 percent increase - Effective January 1, 2016	8% <sup>1</sup>	8.12%	\$4,767,239	\$3,362,931	\$8,130,170

<sup>1</sup>In lieu of salary increases in 1983 and 1984, the state began paying 4 percent of the employee contribution.

## FUNDING FOR STATE EMPLOYEE SALARIES AND BENEFITS (EXCLUDING HIGHER EDUCATION)

The table below details state employee compensation and benefits amounts provided for the 2007-09 through the 2013-15 bienniums and the amount of funding included in the 2015-17 executive budget recommendation for state employee salaries and benefits.

	2007-09 Biennium	2009-11 Biennium	Percentage Change From Previous Biennium	2011-13 Biennium	Percentage Change From Previous Biennium	2013-15 Biennium	Percentage Change From Previous Biennium	2015-17 Biennium Executive Recommendation <sup>1</sup>	Percentage Change From Previous Biennium
Permanent salaries	\$680,764,804	\$778,826,616	14.4%	\$914,992,094	17.5%	\$1,037,863,697	13.4%	\$1,165,725,678	12.3%
Salaries - Other	13,174,920	12,742,061	(3.3)%	12,014,339	(5.7)%	16,024,189	33.4%	18,633,450	16.3%
Salaries - Temporary	30,435,032	33,115,342	8.8%	52,180,305	57.6%	53,316,207	2.2%	58,216,874	9.2%
Salaries - Overtime	15,683,530	18,528,889	18.1%	20,697,711	11.7%	21,816,269	5.4%	25,104,161	15.1%
Fringe benefits	266,691,414	327,675,365	22.9%	375,812,205	14.7%	432,472,434	15.1%	517,104,800	19.6%
Total	\$1,006,749,700	\$1,170,888,273	16.3%	\$1,375,696,654	17.5%	\$1,561,492,796	13.5%	\$1,784,784,963	14.3%

<sup>1</sup>The 2015-17 executive budget includes funding for salary increases of 3 to 5 percent based on performance and up to 2 percent for classified employees in the first quartile of their salary range and up to 1 percent for classified employees in the second quartile of their salary range for market equity.

The table below details estimated future costs for state employee salaries and benefits based on the percentage increase from the 2013-15 biennium to the 2015-17 executive budget recommendation for state employee compensation and benefits.

Estimated Future Costs for State Employee Salaries and Benefits						
	2015-17 Biennium	2017-19 Biennium	2019-21 Biennium	2021-23 Biennium	2023-25 Biennium	2025-27 Biennium
Estimated future costs based on executive budget recommendation <sup>1</sup>	\$1,784,784,963	\$2,040,009,213	\$2,331,730,530	\$2,665,167,996	\$3,046,287,019	\$3,481,906,063

<sup>1</sup>Assumes biennial increases of 14.3 percent for state employee salaries and benefits.

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# Component Analysis

## Fringe Benefits

### Description of Component

- Non-cash benefits provided to employees of the State

### What Was Analyzed

- Benefits programs offered to the States employees to determine the level of competitiveness against public sector organizations (10 Central US States) and general market companies (650 general market organizations)
  - Hay Group's review is based on benefits program information provided by the State in July of 2010 for its current FY benefit programs

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# Component Analysis

## Fringe Benefits

HayGroup®

### Market Comparison Summary

- Set out on the following page is a competitive position summary of the State's benefits program as compared to the market
- The State provides a comprehensive and cost effective benefits program with a competitive health care and retirement program. However, the State's life and disability programs are less competitive
- Set out on pages 99 – 111 in the Appendices is a more comprehensive review of the benefits program
- A detailed Prevalence of Practice report has been provided separately to the State

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# Component Analysis

## Fringe Benefits

### Market Comparison Summary

Benefit Area	Market Comparison	Key Findings
Total Benefits	At Market	Market position of health care, retirement and time-off weigh heavily in overall benefit program competitiveness.
Death	Below Market	The State's low flat dollar benefit of \$1,300 is well below both market comparator groups. Employee paid supplemental offering does provide employee with higher coverage, but does not enhance value significantly.
Disability	Below Market	Accrual of 12 days per year with no maximum is consistent with other Central US States; however LTD benefit through defined benefit plan is less competitive and less common than stand alone LTD plan.
Health Care	At Market	No employee contributions and low out of pocket maximums offset other plan design features to put the State's program at market.
Retirement	At Market	High benefit accrual in defined benefit plan offsets lack of employer match in the defined contribution plan.
Time-Off	At Market	The number of paid holidays and vacation schedule is at market for both Central US States and the general market.
Other	Below Market	Limited offering of flexible spending accounts and no employer paid benefits is below both Central US States and general market.

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## Health Care Benefits

- The State's most prevalent plan is a PPO plan. A PPO plan is the most common for both comparator groups (68% general market and 50% for Central US States).
- The State pays the full premium and requires no contributions for single or family coverage. This feature puts the State above both markets.
  - 7% of general market employers and 40% of Central US States provide employer paid coverage for single coverage. Only 3% of the general market and 0% of Central US States provide employer paid coverage for dependents.
  - The most prevalent cost sharing range for employee coverage is 15% to 29% for the general market (56%) and less than 15% for the Central US States (60%).
  - The most prevalent cost sharing range for dependent coverage is 15% to 29% for both markets (54% of the general market and 72% of Central US States).
- 65% of the general market and 50% of Central US States pay 90% or 100% for inpatient hospital, surgical, outpatient charges, while the State pays 80%.
- The State's individual deductible of \$400 is close to market when compared to both groups. 55% of the general market and 58% of Central US States have a deductible of \$400 or less. The State's \$1,200 family deductible is proportional to the individual deductible, but is less competitive, as 57% of the general market and 71% of Central US States have a family deductible of \$900 or less.

## Health Care Benefits

- The State's individual and family out of pocket maximums of \$750 and \$1,500, respectively, are above market.
  - 94% of the general market and 86% of Central US States have an individual maximum of \$1,000 or greater
  - 93% of the general market and 83% of Central US States have a family maximum of \$2,000 or greater.
- The State maintains a 3 tier prescription drug program, as do most general market and Central US States. However, the State also requires a prescription coinsurance – 15% generic, 25% brand formulary, 50% non-formulary – as well as a separate \$1,000 out of pocket maximum, which is not common market practice.
- 33% of the general market and 78% of Central US States provide coverage to early and normal retirees, as the State does. The State shares the cost with retirees while only 17% of Central US States do. 61% of the general market shares the cost.

## Health Care Benefits

- The State's dental coverage is competitive with two exceptions:
  - The State's annual benefit maximum of \$1,000 is low. 67% of the general market and 60% of Central US States have a maximum of \$1,500 or greater.
  - Dental coverage is 100% employee paid. Only 10% of the general market and 20% of Central US States are fully employee paid. Most share the cost – 71% of the general market and 60% of Central US States.
- The State provides a separate vision plan, as do most general market employers and Central US States.
- The State's health care program is at market due to the following:
  - No employee premium contributions (+)
  - Low annual out of pocket maximums (+)
  - 80% coinsurance (-)
  - Prescription coverage (-)
  - Employee paid dental (-)



# Retirement Benefits

## Defined Contribution Plan

- The State offers a 457 plan but does not make any employer contributions to the plan.

## Defined Benefit Plan

- The State offers a final average pay pension plan to employees. The plan requires employees to contribute 4%.
- The plan benefit is 2% of pay per year of service.

## Retirement Program Trend

- The trend towards defined benefit plan terminations continues, fueled more recently by the economic downturn. Many organizations across industries continue to restructure the overall design of their retirement programs and have begun to shift more attention to their defined contribution plans in an attempt to reduce costs. Efforts in this area often include reductions in the defined benefit formula (if applicable) in favor of higher employer contributions to the defined contribution plan

## Retirement Benefits

- General market organizations typically provide a defined contribution plan with employer contribution only (60%), with only 30% providing both a defined contribution plan with employer contribution and a defined benefit plan.
- All Central US States provide a defined benefit plan and defined contribution plan. Half the group provides an employer contribution to the DC plan while the other half does not.
- The 3 year vesting schedule is better than both general market defined contribution plan vesting schedules and Central US States defined benefit plan schedules (5 years).
- As mentioned in the disability benefit section, the retirement plans provide employees with a disability benefit of 25% of salary, subject to disability requirements.
- The State's retirement program is currently at market; however, there is increasing prevalence in the public sector of employer contributions to defined contribution plans, which will decrease the value of the State's program in the future.

## Holiday and Vacation Program & Other Benefits

### Holiday and Vacation Program

- The State provides 10.5 paid holidays per year. 59% of the general market and 90% of Central US States provide 10 or more holidays.
- The State's vacation schedule is competitive against both the general market and Central US States for employees at various stages of service. The 24 day maximum is at market.
- Accordingly, we have determined that the State provides a market competitive paid time off program.

### Other Benefits

- The State provides health care and dependent care spending accounts to its employees. No tuition reimbursement or commuting assistance is provided to employees. Due to the low level of employer paid benefits in this category, the State is below market in comparison to the general market and Central US States.

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## North Dakota Human Resources Management Services

### Managers: Compensation and Salary Ranges

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### Salary Increase and Pay Range History

Date	Amount	Specific Provisions	Salary Range Movement	
			Minimum	Maximum
July 1, 1983	2%	Retirement Contribution in lieu of salary increase		0
May 1, 1984	\$60/mo	Not appropriated but allowed by Governor within available agency funds		0
July 1, 1984	2%	Retirement Contribution in lieu of salary increase		0
April 1, 1985	5.5%	Minimum increase of \$50	5.5% or \$50	Ranged from 12.8% at gr 5 to 6.8% at gr 40
July 1, 1986	4%	Minimum increase of \$50	4% or \$50	4% or \$50
July 1, 1987	0%	1		0
July 1, 1988	0%	1		0
July 1, 1989	7.1%	Minimum increase of \$50	5% or \$50	5% or \$50
July 1, 1990	0%	1		0
July 1, 1991	4%	Minimum increase of \$50	4% or \$50	4% or \$50
July 1, 1992	\$40/mo	Averaged approximately 2%	0	\$40

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July 1, 1993	\$60/mo	Averaged approximately 3.2%	\$60	\$60
July 1, 1994	3%	1	0	3%
July 1, 1995	2%	1		2%
July 1, 1996	3%	2% across the board; 1% for performance, range compression, & equity		2%
July 1, 1997	3%	\$30 across the board; remainder of 3% appropriation based on merit & equity	\$30	3%
July 1, 1998	3%	\$30 across the board; remainder of 3% appropriation based on merit & equity	\$30	3%
July 1, 1999	2%	\$35 across the board; remainder of 2% appropriation based on merit & equity	Salary ranges recalculated for market component; grades compressed from 44 to 20	
July 1, 2000	2%	\$35 across the board; remainder of 2% appropriation based on merit & equity (additional 1% allowed with funding from existing appropriations)		2%
July 1, 2001	3%	\$35 across the board; remainder of 3% appropriation based on merit & equity	Salary ranges recalculated for market component	
July 1, 2002	2%	\$35 across the board; remainder of 2% appropriation based on merit & equity		2%
January 1, 2004	Up to 1%	Across the board; funding from permanent (pooled) savings from elimination of 176 FTEs in biennium		0
January 1, 2005	Up to 2%	Across the board; funding from permanent (pooled) savings from elimination of 176 FTEs in biennium		0
July 1, 2005	4%	Across the board		4%
July 1, 2006	4%	Across the board		4%
July 1, 2007	4% Appropriation	Based on performance and/or equity; minimum of \$75	Salary ranges recalculated for market component	
July 1, 2008	4% Appropriation	Based on performance and/or equity; minimum of \$75		3%



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July 1, 2009	5% Appropriation	Based on performance and equity; minimum of \$100	5% - 9.5%
July 1, 2010	5% Appropriation	Based on performance and equity; minimum of \$100	5%
July 1, 2011	3% Appropriation	Based on performance and equity; generally minimum of 1%	3%
July 1, 2012	3% Appropriation	Implementing recommendations from the 2009-11 legislative study of state employee compensation – new job evaluations, new grade structure, market-based salary ranges	
July 1, 2013	4% Appropriation	Performance component: Range of 3-5% if meeting performance expectations; Market component 2% for employees in 1st quartile and 1% for employees in 2nd quartile of 2012-2013 salary range.	3%
July 1, 2014	3% Appropriation	Performance component: Range of 2-4% if meeting performance expectations; Market component 2% for employees in 1st quartile and 1% for employees in 2nd quartile of 2012-2013 salary range.	3%

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## North Dakota Human Resources Management Services

### State Employees: Benefits

#### Employee Benefits

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The value of benefits is a significant part of your total compensation. The following benefits are available to employees who:

- are at least 18 years old,
- occupy a regularly funded position, and
- work a minimum of 20 hours per week for at least 20 weeks each year.

Enter your salary and the number of annual leave hours you earn, then click Calculate to determine the total value of your benefits.

**Salary:** \$50,000  
**Annual Leave:** 12 hrs/month

The following value of benefits is based on a classified employee earning \$50,000 annually.

Benefits		Employer Cost	Employee Cost
<b>Annual Leave</b>	12 hours/month	\$3,461.76	
<b>Sick Leave</b>	8 hours/month	\$2,307.84	
<b>Holidays</b>	10 days	\$1,923.20	
<b>Health Insurance</b>	Family Coverage	\$11,780.16	
<b>Life Insurance</b>	3,500 Coverage	\$3.36	
<b>Retirement</b>	14.12% Total		
	(7.12% Employer)	\$3,560.00	
	(4% Employee paid by Employer)	\$2,000.00	
	(3% Employee)		\$1,500.00
<b>Retiree Health Credit</b>	(1.14% Employer Health Insurance Credit Contribution)	\$570.00	
<b>Employee Assistance Program</b>	Employee and Dependent Coverage	\$18.48	
<b>Total Benefit Cost:</b>		<b>\$25,624.80</b>	<b>\$1,500.00</b>
<b>Percent of Salary:</b>		<b>51.2%</b>	

For more information about benefits, go to the "What Every State Employee

# North Dakota Human Resources Management Services



## Managers: Compensation and Salary Ranges

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## 2013 Legislative Intent

House Bill 1015 [<http://www.legis.nd.gov/assembly/63-2013/documents/13-8144-08000.pdf?20130716160827>]

### July 1, 2013 (paid August 1)

- Performance Component: Range of 3-5% (budgeted at average of 4%)
  - Base Increase of 3% for employees meeting performance standards
  - Base Increase up to 5% for employees whose overall documented performance exceeds standards
  - Base Increase of less than 3% may be considered if portions of an employee's documented performance do not meet standards but the employee's overall performance is acceptable
  - If an employee's overall documented performance does not meet standards, he/she is not eligible for any increase. (i.e. performance improvement plan in place, job may be in jeopardy)
- Market Component
  - Base Increase up to 2% for employees whose salary is in the 1st quartile of their 2012-2013 salary range
  - Base Increase up to 1% for employees whose salary is in the 2nd quartile of their 2012-2013 salary range
  - Flexibility is allowed to avoid creating equity issues due to the market component
  - If an employee's overall documented performance does not meet standard, he/she is not eligible for any increase. (i.e. performance improvement plan in place, job may be in jeopardy)
- In the budget development, each of the increase components was independently calculated on the Base Salary (no compounding of Performance & Market)
- HRMS proposed and the State Personnel Board approved an increase to the salary ranges of 3% on July 1, 2013 and July 1, 2014.

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- Additional Considerations
  - Increases for regular non-classified employees are to be in a range of 3-5% (July 2013) based on market and documented performance. (budgeted at average of 4%)
  - Probationary employees are not entitled to the market or performance increases but may be given all or a portion of the increases upon completion of the probationary period at the discretion of the agency.
  - In all instances, an employee whose documented overall performance does not meet standards is not eligible for any salary increase.
- On January 1, 2014 the state will contribute an additional 1% to the retirement fund along with an additional 1% deduction from each employee's salary toward the retirement fund. As of January 1, 2014 the contributions will be:
  - 7.12% - State Contribution
  - 4% - Employee Contribution paid by the State
  - 3% - Employee Contribution by payroll deduction
  - 1.14% - Retiree Health Contribution paid by the State
- The State is providing an additional \$95/month Health Insurance Premium contribution (approximately 2.4% based on overall average salary).

PROPOSED AMENDMENTS TO ENGROSSED HOUSE BILL NO. 1246

Page 1, after line 10 insert "1."

Page 1, line 12, overstrike "1." and insert immediately thereafter "a."

Page 1, line 15, overstrike "2." and insert immediately thereafter "b."

Page 1, line 16, overstrike "3." and insert immediately thereafter "c."

Page 1, line 18, overstrike "4." and insert immediately thereafter "d."

Page 1, line 23, overstrike "5." and insert immediately thereafter "e."

Page 2, line 3, overstrike "6." and insert immediately thereafter "f."

Page 2, line 8, overstrike "7." and insert immediately thereafter "g."

Page 2, after line 9 insert "2."

Page 2, line 14, overstrike the period and insert immediately thereafter "as follows:

a."

Page 2, line 15, replace the underscored period with "i:"

b."

Page 2, line 16, replace the underscored period with "i:"

c."

Page 2, line 18, replace the underscored period with "i; and

d. When a compensation comparison is conducted, comparisons must be made to employers with varying numbers of employees as follows:

- (1) Sixty percent of employers used in the compensation comparison must represent the largest employers in the state based on the number of employees;
- (2) Twenty percent of employers used in the compensation comparison must represent the smallest employers in the state based on the number of employees; and
- (3) Twenty percent of employers used in the compensation comparison must represent employers who are not included in either the largest employer or the smallest employer category based on the number of employees."

Renumber accordingly

## Turnover by Agency Reason

2012 -- 2014

Agency	2012							2013							2014							Summary									
	# Classified Employees	# Separations	Rate **	Involuntary	Retirement	Resignation	Health/No Reason	# Classified Employees	# Separations	Rate **	Involuntary	Retirement	Resignation	Health/No Reason	# Classified Employees	# Separations	Rate **	Involuntary	Retirement	Resignation	Health/No Reason	Year	# Classified Employees	# Separations	Rate **	Involuntary	Retirement	Resignation	Health/No Reason		
10800 Secy of St	26	7	26.9%	1	1	5		28	4	14.3%	2		2		27	1	3.7%		1			2007	6,550	602	9.2%	71	148	369	14		
11000 OMB	122	11	9.0%		7	4		121	5	4.1%		2	3		120.4	7	5.8%		5	2		2008	6,846	627	9.2%	77	131	401	18		
11200 ITD	324	21	6.5%	3	4	13	1	325	18	5.5%	2	7	9		327.5	20	6.1%	1	2	17		2009	7,044	573	8.1%	81	156	320	16		
11700 Auditor	47	2	4.3%		1	1		47	4	8.5%	1	1	2		49.8	6	12.0%		1	5		2010	7,064	564	8.0%	61	173	311	19		
12000 Treasurer	4	1	25.0%		1			4	1	25.0%			1		4.5	0	0.0%					2011	7,076	654	9.2%	75	229	339	11		
12500 Atty Gen	169	12	7.1%	2	3	7		174	8	4.6%	3	2	3		175.3	12	6.8%		7	5		2012	7,118	737	10.4%	82	214	426	15		
12700 Tax Dept	116	12	10.3%	1	7	3	1	125	8	6.4%		2	6		123.4	10	8.1%		4	6		2013	7,151	734	10.3%	68	189	470	7		
14000 OAH	4	0	0.0%					4	0	0.0%					2.9	0	0.0%					2014	7,163	793	11.1%	83	209	493	8		
18800 Ind Defense	29	5	17.2%			5		28	8	28.6%		1	7		30.3	5	16.5%			5											
19000 RIO	15	0	0.0%					12	3	25.0%			1	2		14.1	2	14.2%		1	1										
19200 NDPERS	31	3	9.7%		1	2		31	2	6.5%	1	1			32.1	0	0.0%														
20100 DPI	92	13	14.1%	1	5	7		90	10	11.1%		4	6		89.3	12	13.4%	1	2	8	1										
22600 Land Dept	22	2	9.1%			2		25	1	4.0%			1		26.4	2	7.6%		1	1											
25000 St Library	30	0	0.0%					29	4	13.8%			4		29.2	4	13.7%			4											
25200 Sch Deaf	34	5	14.7%	1	1	3		34	2	5.9%			2		33.5	7	20.9%	1	2	4											
25300 Blind Svcs	19	1	5.3%		1			19	2	10.5%		1	1		18.3	2	10.9%			2											
27000 CTE	24	2	8.3%			2		25	2	8.0%			2		23.6	6	25.4%	1	3	2											
30100 Health Dept	332	35	10.5%		16	19		330	37	11.2%	3	7	27		333.3	27	8.1%	2	3	22											
30500 Tobacco Prev	4	0	0.0%					3	1	33.3%			1		4.1	0	0.0%														
31300 VetsHome	128	21	16.4%	4		16	1	137	12	8.8%	3	2	7		136.9	19	13.9%	5	4	10											
31600 Indian Affairs	3	2	66.7%			2		3	1	33.3%			1		3.8	0	0.0%														
32100 Vets Affairs	6	0	0.0%					7	3	42.9%			3		6.8	0	0.0%														
32500 DHS	2,142	254	11.9%	31	70	152	1	2,103	288	13.7%	28	76	181	3	2095.2	293	14.0%	30	81	179	3										
36000 P & A	26	5	19.2%	1		4		27	1	3.7%			1		26.8	1	3.7%			1											
38000 Job Svc	239	19	7.9%	2	9	8		231	22	9.5%	1	11	10		224	24	10.7%	1	7	16											
40100 Insurance	36	6	16.7%		3	3		33	4	12.1%		1	3		33.6	4	11.9%	1		3											
40500 Mineral Rscs	34	3	8.8%		1	2		25	2	8.0%			2		20.3	2	9.9%	1		1											
40600 Labor Dept	11	0	0.0%					11	2	18.2%			2		11.3	4	35.4%			4											
40800 PSC	37	8	21.6%	2		6		40	2	5.0%		1	1		38.1	4	10.5%			4											
41200 Aeronautics	4	0	0.0%					4	0	0.0%					3.9	1	25.6%			1											
41300 Fin Inst	25	4	16.0%			4		25	4	16.0%		1	3		25.2	1	4.0%	1													
41400 Securities	8	0	0.0%					8	0	0.0%					8	0	0.0%														
47100 BND	147	11	7.5%	2	2	7		147	13	8.8%	2	3	8		148.5	16	10.8%	3	1	12											
48500 WSI	237	24	10.1%	1	4	18	1	243	11	4.5%	1	3	6	1	244	14	5.7%		1	13											
50400 Hwy Patrol	188	16	8.5%	1	10	5		191	7	3.7%		3	3	1	199.3	19	9.5%	1	11	7											
53000 DOCR	724	94	13.0%	11	18	63	2	769	116	15.1%	12	18	85	1	773.3	132	17.1%	20	13	98	1										
54000 Adj Gen	175	15	8.6%	2	5	5	3	178	23	12.9%	1	5	17		176.9	21	11.9%		4	16	1										
60200 Agric Dept	66	9	13.6%	1	3	5		66	10	15.2%			1	9	68.4	3	4.4%		1	2											
61600 Seed Dept	23	2	8.7%		2			23	1	4.3%		1			23.5	0	0.0%														
66500 St Fair	21	8	38.1%	1		7		22	5	22.7%	1		4		22	7	31.8%			7											
70100 Historical	64	3	4.7%		2	1		69	1	1.4%			1		69	4	5.8%	1	2	1											
70900 Arts Council	4	1	25.0%	1				4	0	0.0%					4	0	0.0%														
72000 Game & Fish	155	7	4.5%		5	2		156	5	3.2%		2	3		155.7	6	3.9%	1	4	1											
75000 Parks & Rec	54	3	5.6%		1	2		53	6	11.3%		4	2		53.2	8	15.0%	3	2	3											
77000 Water Comm	80	6	7.5%		3	2	1	84	5	6.0%		1	3	1	86.4	4	4.6%		3	1											
80100 DOT	1,037	84	8.1%	13	28	39	4	1,038	70	6.7%	7	27	36		1,040	83	8.0%	9	43	29	2										
Overall	7,118	737	10.4%	82	214	426	15	7,151	734	10.3%	68	189	470	7	7,163	793	11.1%	83	209	493	8										

\* DOCR also tracks turnover in a 'pool' of temp positions used for Correctional Officer Recruiting.

\*\* Agencies may individually report slightly different rates if they consider employees transferring to other agencies.

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