CITY COUNCIL WORKSHOP
AGENDA
Council Chambers - Municipal Center
01/24/2011
5:00 p.m.

TOTAL COMPENSATION

A. CALL TO ORDER:

B. INTRODUCTION:

C. PRESENTATION:

1. Opening Remarks
2. Compensation Philosophy
3. Factors for Consideration
4. Changes Implemented
5. Components of Total Compensation
   a. Base Pay
      - Comparable Community Data
      - Private Sector Data Sources
      - Average Base Pay Increases
      - City of Naperville Historical Data - Union and Non-Union
6. Review of Benefits and Pay Practices

7. Criteria and Goals for Future Modifications

8. Areas Identified for Evaluation

9. Immediate Staff Actions

10. Next Steps

11. Council Feedback

D. ADJOURNMENT:

Any individual with a disability requesting a reasonable accommodation in order to participate in a public meeting should contact the Accessibility Coordinator at least 48 hours in advance of the scheduled meeting. The Accessibility Coordinator can be reached in person at 400 S. Eagle Street, Naperville, IL., via telephone at 630-420-6725 or 630-305-5205 (TDD) or via e-mail at manningm@naperville.il.us. Every effort will be made to allow for meeting participation.

Total Compensation Workshop

January 24, 2011

FINAL - City Council Workshop - 1/24/2011 - 1

Agenda/Presentation Highlights

- Compensation Philosophy
- Factors for Consideration
- Changes Implemented
- Components of Total Compensation
  - Base Pay
    - Comparable Community Data
    - Private Sector Data Sources
    - Average Base Pay Increases
    - City of Naperville Historical Data
      - Union
      - Non-Union
  - Variable Pay
  - Benefits
- Review of Benefits and Pay Practices
- Criteria and Goals for Future Modifications
- Areas Identified for Evaluation
- Immediate Staff Actions
- Next Steps
- Council Feedback

Current Compensation Philosophy

- Maintain a compensation program that is fiscally responsible
- Reward all employees based on work performance
- Establish base pay ranges and rates that are based upon:
  - External competiveness with relevant public and private sector labor markets
  - CPI data
  - Relative internal value
- Establish variable reward incentives and benefit levels on the basis of their:
  - External competitiveness with relevant public and private sector markets
- Administer total compensation **equitably** and **consistently**

Factors for Consideration Related to Compensation and Benefits

- Goals
  - Affordability
  - Uniformity
  - Equality
  - Simplicity
  - Standardization
  - Sustainability
- Challenges
  - Complexity
  - Balancing Short Term and Long Term Challenges
  - Affordability
  - Contractual and Legal Obligations
    - FLSA– Fair Labor Standards Act
    - IPLRA – Illinois Public Labor Relations Act

※ Changes to compensation and benefits must consider a number of factors.

Council Affirmation

- Affirm Current Compensation Philosophy
- Affirm Goals and Challenges
  - Starting point for tonight's discussion

Recent Changes to Compensation and Benefits

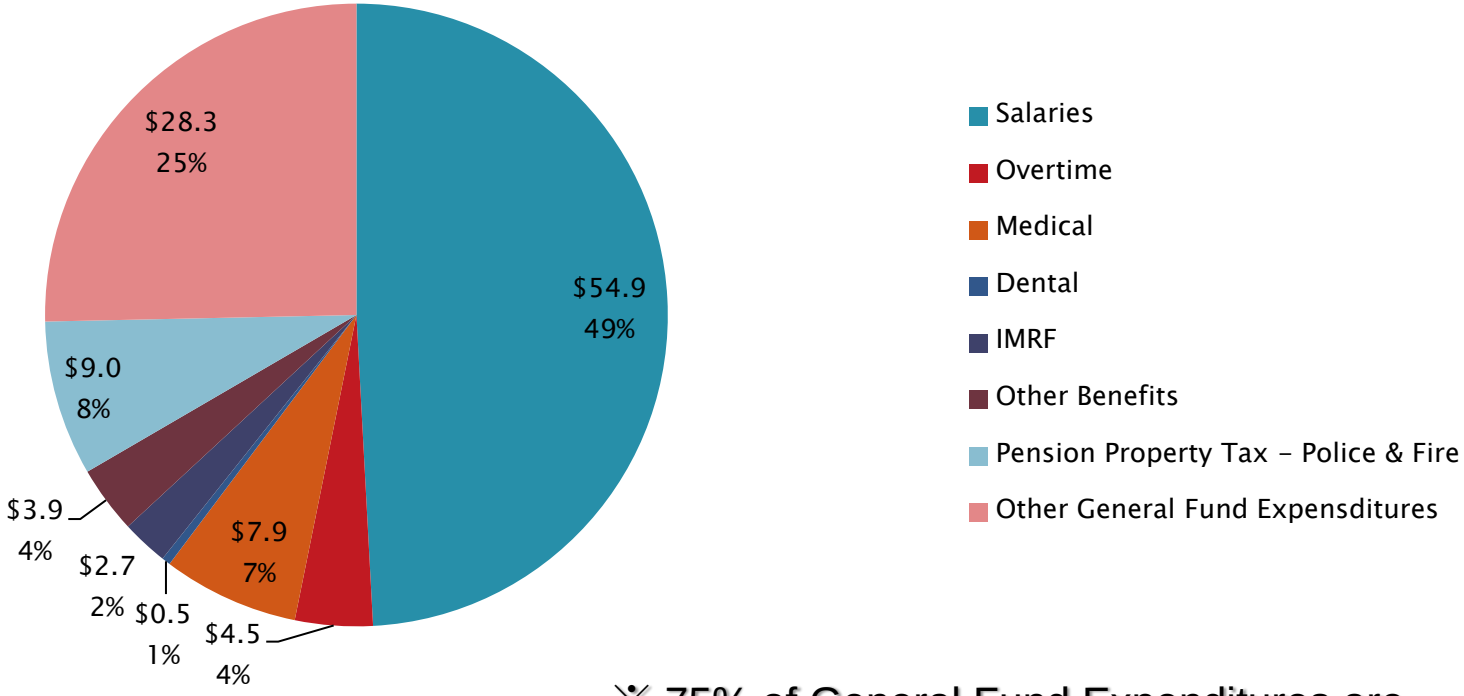
- Wage-freeze (non-union, selected unions)
- Employee medical and dental premium contributions increased from 10% to 15%
- Medical insurance plan design changes
- Elimination of the IMRF 4 month spread that resulted in the retirement of 16 city employees
- Suspension of the cash out option for exempt benefits days
- Elimination of the vehicle allowance for new hires and a plan to eliminate completely
- Suspension of the Tuition Assistance Program for FY11 and FY12, AND
- Pension reform and relief

※ The City has incorporated a number of compensation and benefit changes for cost reduction purposes.

Salary & Benefits FY12 Proposed

Total General Fund Expenditures

$111 M



※ 75% of General Fund Expenditures are Personnel Related

Contractual Status

Bargaining Unit	Next Contract Date	# of Employees	% of Employees
Active Contracts			
IAFF- Fire Union	1-May-11	189	20%
FOP 42 - Police Officers	1-May-12	132	14%
MAP 363 - Police Sergeants	1-May-12	25	3%
IBEW 9- Electric Union	1-May-13	65	7%
IUOE 399 - Public Buildings	1-May-13	11	1%
Just-Expired Contracts			
IBEW 196 - Water Union	1-May-10	49	5%
IUOE 150 - Equipment Operators	1-May-10	45	5%
FOP 42-1 - Detention Officers	1-May-10	5	1%
New Contracts Currently Negotiating			
FOP 42-2 - Telecommunicators	**New Bargaining Unit** - 1st Contract	26	3%
IUOE 150 - Water Field Supervisors	**New Bargaining Unit** - 1st Contract	9	1%
IUOE 150 - Fleet	**New Bargaining Unit** - 1st Contract	14	1%
IUOE 150 - DPW Field Supervisors	**New Bargaining Unit** - 1st Contract	7	1%
MAP 582 - Civilian (Police Records)	**New Bargaining Unit** - 1st Contract	12	1%
AFSCME	Bargaining Unit in Certification Process	47	5%
	TOTAL UNION	**636**	**68%**
	TOTAL NON-UNION	**306**	**32%**

※ Two-thirds of City employees have unionized

Total Compensation

The combination of:

- Base pay – An employee's hourly/annual wage rate
  - Non –union: Adjustments are contingent on performance and results.
  - Union: Adjustments are based on tenure in the position and contract increases.
- Variable pay
  - Internal definition – reward and recognition awards for exceptional performance, innovation, effort, etc.
  - External definition – "at risk" bonus pay based on performance of organization and individual
- Benefits – Medical, dental, life, vacation, sick leave, holiday, etc.

※ All components of compensation must be taken into consideration when evaluating changes.

Private Sector

- World at Work
  - Total of 2,610 participants from all industries
    - Private sector participants include:
      >Allstate
      >Calamos Investments
      >Central DuPage Hospital
      >Ford Motor Company
      >McDonalds
      >Tellabs
    - Public sector participants include:
      >City of Austin, TX
      >City of Chattanooga, TN
      >City of Portland, OR
      >City of Colorado Springs, CO
      >City of Overland Park, KS
- Aon Hewitt
  - City's Broker for Medical & Dental Benefits
    - Survey of 1,465 organizations
    - One of the world's foremost provider of Human Resources consulting services
    - Consults and administers Human Resources, Health Care, Payroll and Retirement Programs

※ We use two of the most well known private sector annual compensation surveys.

Additional Local Information

- School District 203 FY 11-12
  - Teachers – contract increase 1.35%; step increases of 1.5%-4.5%, if eligible
  - Support staff – .5% contract increase; step increases 2.5%, if eligible
  - Medical and Dental Insurance: Employee contribution 30% year 1 and 2; 15% year 3+
- School District 204 FY 11-12
  - Teachers – step increase 1.5-2.75% at start of year; 1.26% contract increase and additional step increase 1.5%-2.75% midyear
  - Support staff – approximately 4.3%
  - Medical and Dental: Employee contribution – average 17%
- Naperville Park District
  - 2% merit pool for 1/1/11
  - Medical, dental and vision: Employee contribution 8%
- Edward Hospital
  - Last year 2% merit pool, this year won't be determined until May

Non Union Comparison to Public and Private Base Pay Data

Fiscal Year	Naperville Non-Union Employees	Comparable Communities	World at Work	Hewitt	
	Average Increase (Excludes Variable pay)	Average Increase (Excludes Variable pay)	Average Increase (Excludes Variable pay)	Average Increase (Excludes Variable pay)	CPI-U Chicago April
FY07-08	4.00%	5.20%	3.85%	3.70%	**3.20%**
FY08-09	3.85%	4.80%	3.85%	3.70%	**4.20%**
FY09-10	0.00%*	1.71%	2.20%	1.80%	**-2.20%**
FY10-11	0.00%	1.25%	2.50%	2.40%	**2.40%**
FY11-12	TBD	Unknown	2.95%**	2.90%**	**Unknown**
Average	1.96%	3.24%	3.07%	2.90%	1.90%

※ City reacted relatively quickly to the economic downturn

*1.5% lump sum merit

**Data released August 2010

City of Naperville – Non-Union vs. Union Average Base Pay Increases

Fiscal Year	Non-Union Average Base Pay Increases	Union Average Base Pay Increases (includes step and contract increases)
FY07-08	4.0%*	4.90%
FY08-09	3.85%*	4.60%
FY09-10	0%**	3.40%
FY10-11	0%	Fire- 3%, Police Officer and Sergeant 3.8%, Non-public safety (Electric and PBO) 0%, rest negotiating
FY11-12	TBD	Police Officers and Sergeants 3.6%, Non-Public Safety (Electric and PBO) 2-2.5%, rest negotiating

※ Union compensation has exceeded non-union for last 4 years

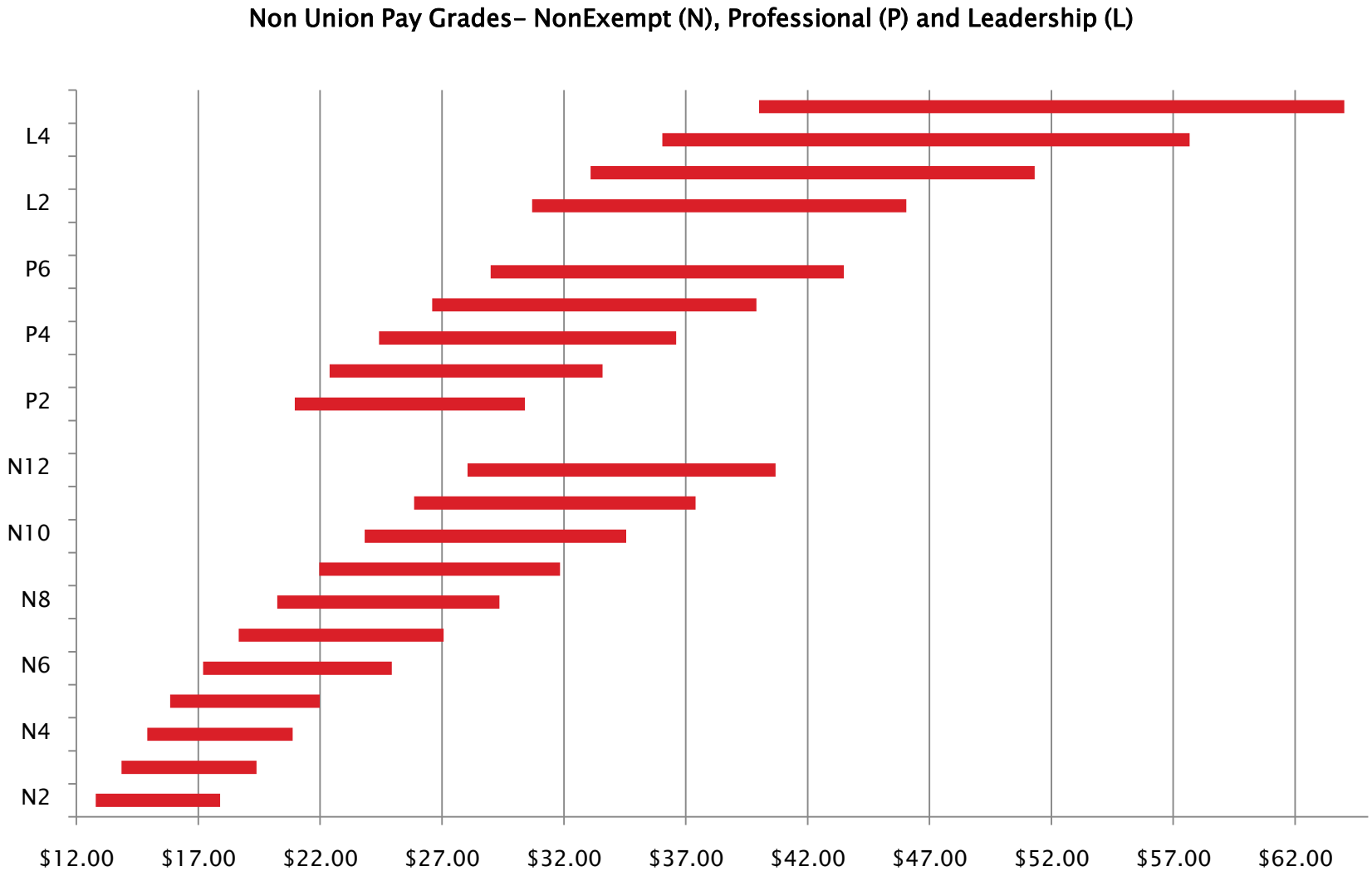
* .5% market/high performer pool not included

**1.5% lump sum

Non-Union Salary Ranges

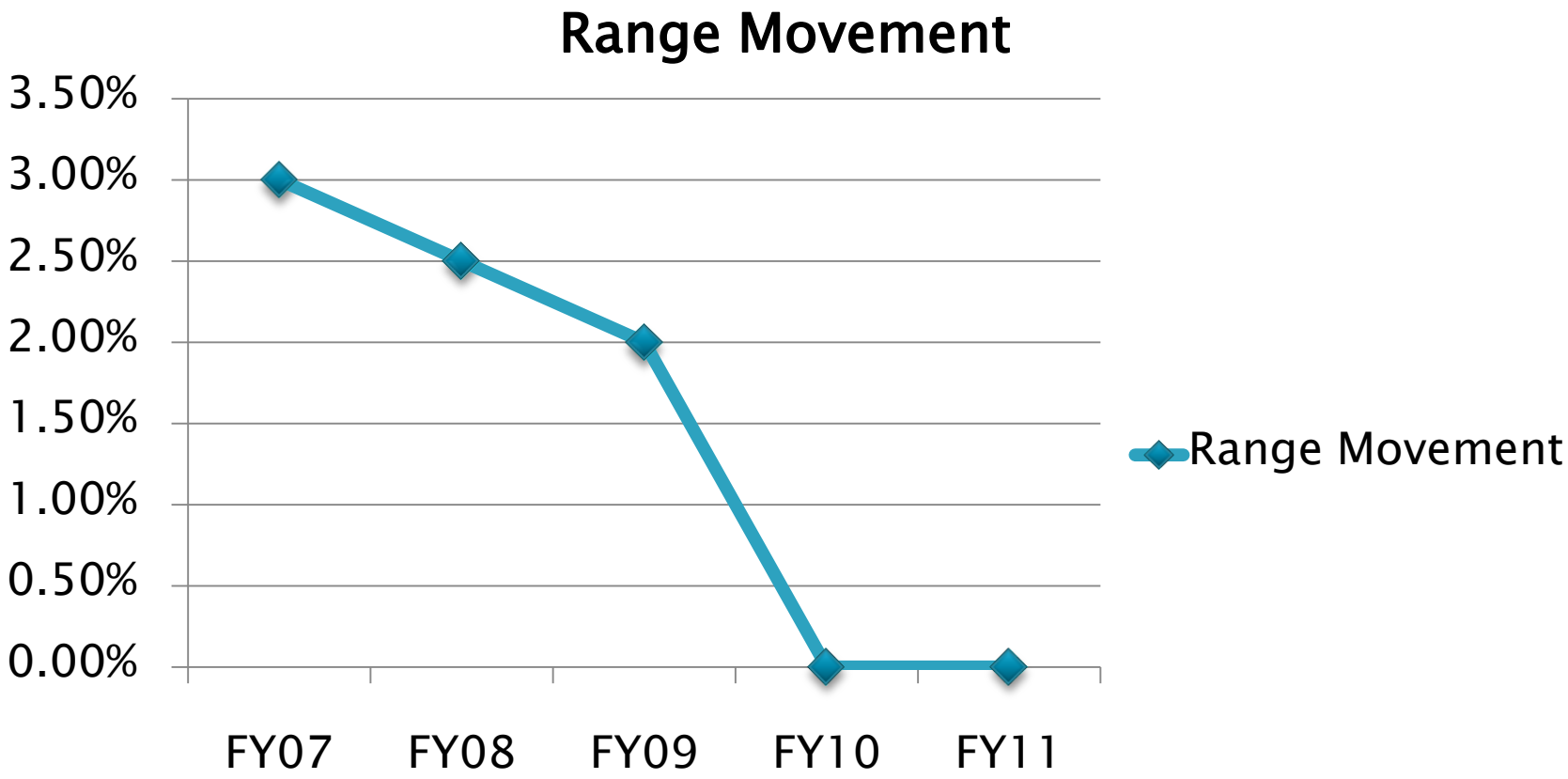
- Current Compensation Plan is comprised of 19 pay ranges.
  - 10 are for non-exempt positions (eligible for overtime under the FLSA)
  - 9 for exempt positions (not eligible for overtime under the FLSA).
- Range spread is between 40-60% depending on the grade level
  - Range spread is the maximum percent above the minimum of the range
- As part of the annual compensation review process the City reviews the ranges of comparable communities as well as local private sector ranges.
  - Adjustments are made to ensure the City is competitive and fiscally responsible.
- Employees are generally not impacted by a range adjustment.
  - Employees may realize a benefit from a range increase if they fall below the new minimum after the range adjustment.

Salary Range Overlap



※ Reasonable overlap exists between pay grades

Salary Ranges



※ City incorporated the economic downturn in salary range adjustments.

- Range movement is determined by reviewing the CPI-U, outside surveys on range movement and comparable community movement.

Variable Compensation

Private Sector Variable Pay Projections for 2011

- World at Work (non-executives)
  - 5.5% to 12.3% of salaries
  - 80% of organizations surveyed offer variable pay
- Aon Hewitt (non-executives)
  - 4.4% to 11.8% of salaries
  - 89% of organizations surveyed offer variable pay

Comparison to Private Sector Variable Pay

	Naperville Non-Union Employees			World at Work	Aon Hewitt
Fiscal Year	Reward and Recognition Awards	High Performer Pool Market Adjustment	Total	Variable Pay (Excludes Executive Officers)	Variable Pay
FY07-08	0.33%	0.50%	0.83 %	5.9%-13.5%	11.80%
FY08-09	0.25%	0.50%	0.75 %	5.8%-12.9%	11.60%
FY09-10	0.25%	0.00%	.25%	5.0%-12.9%	10.60%
FY 10-11	0.25%	0.00%	.25%	5.1%-12.2% (actual)	4.6%-11.3% (actual)
FY 11-12	TBD	TBD	TBD	5.5% - 12.3%**	4.4%-11.8%**

※ Variable pay is much more significant in the private sector.

**Data released August 2010

Comparison to Private Sector Pay Increases

	Naperville Non-Union Employees				World at Work			Hewitt		
	Reward and Recognition Awards	High Performer / Market/ Adjustment	Merit Pay	**Total**	Variable Pay (Excludes Executive Officers)	Merit Pay	**Total**	Variable Pay	Merit Pay	**Total**
FY07-08	0.33%	0.50%	4.00%	**4.83%**	5.9%-13.5%	3.85%	**9.75%-17.35%**	11.80%	3.70%	**15.50%**
FY08-09	0.25%	0.50%	3.85%	**4.60%**	5.8%-12.9%	3.85%	**9.65%-16.75%**	11.60%	3.70%	**15.30%**
FY09-10	0.25%	0%	0%*	**.25%**	5.0%-12.9%	2.20%	**7.20%-15.10%**	10.60%	1.80%	**12.40%**
FY 10-11	0.25%	0%	0%	**0.25%**	5.1%-12.2% (actual)	2.50%	**7.6%-14.70%**	4.6%-11.3% (actual)	2.40%	**7%-13.7%**
FY 11-12	TBD	TBD	TBD	**TBD**	5.5% - 12.3%	2.95%	**8.45%-15.25%**	4.4%-11.8%	2.90%	**7.3%-14.70%**

※ Private sector has a more significant portion of “at risk” compensation.

*1.5% lump sum

Health Benefits

Benefits

- Medical Insurance
  - 2009-2011 Plan Design Changes
  - Significant cost shifting of expenses to actual plan users.
    - Example – PPO plan

Dr. visits copay:	2009 $0	2011 $20.00
Deductible (family – in network):	2009 $750	2011 $1,500
Hospital Co-pay (in network):	2009 $0	2011 $150

  - Goal – Achieve uniformity in plan design and employee contributions
  - Current focus is promoting the City's Health, Safety and Wellness Program
    - Improve employee health, safety and wellness through reduction of risk factors
    - Increase employee knowledge about the relationship between health/wellness and lifestyle
    - Create an informed and safety-conscious workforce
    - Increase opportunities for employees to take control of their health, safety and wellness

※ City has incorporated significant plan design changes in the past 2 years – objective is equity and standardization

Employee Premium Contributions

City of Naperville Non Union Employee Contributions

Fiscal Year	Medical Annually	Family PPO Annual Employee Contribution Cost
FY 03-04	$120 Single, $300 Family	$300
FY 04-05	$120 Single, $300 Family	
FY 05-06	$120 Single, $300 Family	
FY 06-07	10% with 10% cap	$1,414
FY 07-08	10% with 10% cap	
FY 08-09	10% with 10% cap	
FY 09-10	10% with 10% cap	
FY 10-11	15%	$2,804

※ City has greatly increased employee contributions in the past 5 years.

Family PPO Medical Contribution Comparison

	Employee Contribution Percent	Annual Employee Contribution
Comparable Community Average 2011	11%	$2,079
City of Naperville Non Union FY 10-11	15%	$2,804
Kaiser 2010 survey 99% Private sector	27% all firms (26% firms with 200 or more employees)	$3,823 (all firms) ($3,652 for firms with over 200 employees)

※ Naperville employees contribute more than our comparable communities and less than the private sector.

Benefit and Pay Practice Review

Benefit and Pay Practice Review

- Staff conducted a comprehensive review of benefits and pay practices currently in effect:
  - Employee Policy Manual
  - Union contracts

- Purpose – To provide an overview of all of the benefits provided to City employees beyond merit salary increases/contract increases.

Criteria and Goals for Future Modifications

- Criteria
  - Legal requirements
  - Comparable community data
  - Market data
  - Internal equity and fairness
  - Respect for employee tenure
  - Equitable implementation for union and non-union employees
- Goals
  - Affordability
  - Uniformity
  - Equality
  - Simplicity
  - Standardization
  - Sustainability

Areas Identified for Evaluation

- Future
  - Sick Leave Payouts and Accruals
  - PTO/Vacation Payouts and Accruals
  - Salary Ranges
  - Holiday Pay
  - Payment in-lieu-of holidays
  - Pay for Performance Practices
  - Develop New Level of Benefits and Compensation for New Employees (Tier 2)
- Completed
  - Overtime Pay
  - Overtime for non-exempt employees

Overtime Pay and "Give 5" Overtime

- Fair Labor Standards Act (FLSA)
  - For covered, nonexempt employees in Illinois, the Fair Labor Standards Act (FLSA) requires overtime pay at a rate of not less than one and one-half times an employee's regular rate of pay after 40 hours of **work** in a workweek.
- City of Naperville Employee Policy Manual
  - Overtime is calculated on ALL paid hours, whether or not they are worked, and for all hours over 8 hours in a day.
  - "Give 5" overtime is paid for select exempt positions.
- Recommendation
  - Change EPM definition of "Hours Worked" to be consistent with the Fair Labor Standards Act (FLSA)
  - Incorporate into future collective bargaining agreements

Immediate Staff Actions

- Bring salary ranges and range adjustments to the City Council for approval on an annual basis.
- Revise the Employee Policy Manual relating to overtime to define "Hours Worked" to be consistent with the Fair Labor Standards Act (FLSA) and pay overtime as required by law.
- Eliminate the "Give 5" overtime policy

Next Steps

- Return to City Council with recommendations and a strategic plan in May, 2011
  - Sick Leave Payout and Accruals
  - PTO/Vacation Payout and Accruals
  - Salary Range Adjustments
  - Holiday Pay
  - Payment in Lieu of Holidays
  - Pay for Performance Practices
  - New Employee Benefit and Compensation Options (Tier 2)

Council Feedback

- Questions
- Comments