

# Compensation and Benefits

## EXECUTIVE SUMMARY

### Background

Human resource programs are developed and administered according to the Human Resources Philosophy adopted by the City Council. The City of Charlotte is committed to attracting and retaining qualified, productive, and motivated employees who will provide efficient and effective services to its citizens.

Compensation and benefits recommendations are guided by the mission to help employees THRIVE by creating a work environment that embraces diversity. The city recognizes and values the unique and changing needs of our workforce throughout their career life cycle.

FY 2022 guiding principles:

- Pay will be based on performance while considering market conditions.
- Base pay is the primary type of pay used to maintain market competitiveness. City Council's approved policy is that market competitiveness for a specific job is based on the median of actual salaries paid in the applicable recruitment area for jobs of a similar nature.
- Employees may also be rewarded for attaining specific skills which make them more flexible and useful in helping the city meet its goals, such as language incentives.
- Benefits plans will provide an appropriate level of income protection against unexpected health, life and disability risks.
- Health care costs will be aggressively managed with employees sharing in the cost of benefits.
- Wellness initiatives will be integrated across human resources programs.

### Survey of Market Conditions and Market Competitiveness

Market competitiveness is determined through ongoing surveys of the pay and benefits practices of other employers. Human Resources recently completed a review of local, regional and national pay increase trends, as well as a review of employer benefits practices. Competitive practice survey information was compiled and analyzed from several consulting firms representing a large number of employers. A summary of the average market movement can be found in **Attachment A**.

### Survey Findings

- According to the World at Work's 2020/2021 Salary Budget Survey, respondents project that salary budget increases for 2021 will remain steady, matching 2020 and holding at 2.9% (median: 3.0%).
- Mercer Consulting's *March 2021 U.S. Compensation Planning Pulse Survey* reports the actual average increases delivered so far in 2021 was 2.9%, but that number dips to 2.6% when including those companies that did not deliver increases.
- AON Hewitt's *Salary Increase and Turnover Study – September 2020* reports that 84% of organizations

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surveyed are projecting salary increases in 2021.

- Employees now have added financial concerns, with 61% reporting at least some new financial concerns due to the coronavirus, and 25% indicating a moderate or high degree of worry. Willis Towers Watson Insights: Impact of the Coronavirus on Employee Experience.
- According to the annual Mercer *National Survey of Employer-Sponsored Health Plans for 2020*, with the pandemic disrupting health care utilization and adding stress to employees' lives, employers are focusing on supporting behavioral health; developing future-focused strategies for virtual health care; and seeking new ways to engage employees whether they are at worksites or remote.

## **Conclusions and Recommendations**

- **Compensation**
  - In the Public Safety Pay Plan, the following is recommended:
    - Merit steps of 2.5 percent to five percent be funded.
    - Market adjustment to the pay steps funded at 1.5 percent effective July 3, 2021.
    - Revisions to Fire steps to better align with market competitiveness effective November 13, 2021.
    - Add one 2.5 percent step to the top of Firefighter II and one 2.5 percent step to the top of Firefighter Engineer effective November 13, 2021.
    - Adjust all Fire Captain steps by 3.75 percent effective November 13, 2021.
  - In the Salaried Pay Plan, the following is recommended:
    - Merit increase pool funded at 3.0 percent.
  - In the Hourly Pay Plan, the following is recommended:
    - Merit increase pool funded at 1.5 percent.
    - Market adjustment to the ranges of 1.5 percent effective December 4, 2021.
    - Increase annualized minimum pay for all non-temporary employees, with good performance, to \$38,090 by the end of the fiscal year.
  - Directive to Research and Analyze Shift Differential Pay
    - On May 26, 2021, during the City Council Budget Straw Votes meeting, City Council directed staff to include in the FY 2022 Compensation and Benefit Recommendation the directive to research and analyze options for shift differential pay for potential inclusion in the FY 2023 Budget.

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- For Mayor and City Council compensation the following is recommended:
  - Increase Mayor annual base salary to \$39,646 and expense allowances to \$20,222, aligning the Mayor to the Chairperson of the Mecklenburg County Board of Commissioners.
  - Increase City Council annual base salary to \$32,638 and expense allowances to \$19,806, aligning City Council to the Mecklenburg County Board of Commissioners.
- **Benefits**
  - At least a five percent reduction to employee medical plan premiums.
  - Decrease in-network individual deductibles by \$250 across all medical plans (unless unallowable by IRS regulations).
  - Five percent reduction to retiree medical plan premiums for non-Medicare eligible retirees with 20 years of service.
  - Authorize the City Manager to implement plan enhancements in the dental plan dependent on the results of a bid process that is in progress.
  - Increase the city contribution to the 457 plan for employees in the Charlotte Firefighters' Retirement System by one percent effective January 2022.

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## FY 2022 COMPENSATION RECOMMENDATIONS

### Public Safety Pay Plan

The city's Public Safety Pay Plan, as shown in **Attachments B and C**, covers all Police classes below the rank of Police Lieutenant and all Fire classes below the rank of Battalion Fire Chief. There are two components to the Public Safety Pay Plan. The first is progression through the steps, and the second is market adjustments to the steps. The following recommendations are made:

- Merit steps of 2.5 percent to five percent be funded.
- Market adjustment to the pay steps funded at 1.5 percent effective July 3, 2021.
- Revisions to Fire steps effective November 13, 2021, to better align with market competitiveness.
  - Merge Firefighter II steps six and seven from two 2.5 percent steps to one five percent step.
  - Merge Firefighter Engineer steps three and four from two 2.5 percent steps to one five percent step.
  - Add a 2.5 percent step to the top of Firefighter II.
  - Add a 2.5 percent steps to the top of Firefighter Engineer.
  - Adjust Fire Captain steps by 3.75 percent each.

### Salaried Pay Plan

The city's Salaried Pay Plan covers all salaried exempt city employees. This pay plan consists of 26 traditional ranges, each with a minimum and maximum. There is no general pay (market) adjustment for employees in this pay plan like there is for employees in the Public Safety and the Hourly Pay Plans. Merit increases are based on the employee's performance and the employee's pay rate in relation to the competitive rate for their specific job. The following recommendations are made:

- Funding for a three percent merit pool. Departments are expected to manage within their department personnel services budget. Pay decisions will be based on an employee's level of performance and a comparison of current salary to the competitive rate for their specific job. Increases may be awarded as base pay and/or lump sum on the employee's merit date, with merit dates varying by employee throughout the year.
- A 1.5 percent market adjustment to the Salaried Pay Plan, as reflected in **Attachment D**. The impact of this recommendation will be to change the minimum and maximum rates in the pay grades. Because no employee salary falls below the minimum of their respective pay grade, no employee will receive an increase as a result of this recommendation.

### Hourly Pay Plan

The city's Hourly Pay Plan covers hourly employees in labor, trades, and administrative positions. This pay plan consists of 20 traditional ranges, each with a minimum and maximum. Hourly employees typically receive an annual

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market adjustment. These employees also typically receive a merit increase each year. Merit increases are based on the employee's performance and the employee's pay rate in relation to the competitive rate for their specific job. The following recommendations are made:

- Funding for a 1.5 percent merit pool. Departments are expected to manage within their personnel services budget. Pay decisions will be based on an employee's level of performance and a comparison of current salary to the midpoint for their specific job. Increases may be awarded as base pay or lump sum on the employee's merit date, with merit dates varying by employee throughout the year.
- A 1.5 percent market adjustment to the Hourly Pay Plan, as reflected in **Attachment E**. Hourly employees will receive this increase effective December 4, 2021.

## **General Employees Currently Earning Below an Annualized Salary of \$38,090 per year**

In FY 2020, City Council brought the minimum starting pay for City of Charlotte employees to \$16.00 per hour, or \$33,280 per year. To continue to attract and retain employees in a competitive market, to remain an employer of choice, and to provide good paying jobs, it is recommended that the city's minimum pay be increased to sixty percent of the Annual Median Household Income for the City of Charlotte, which is an annualized \$38,090 by the end of FY 2022. The following recommendations are made:

- Funding to bring all non-temporary employees, with good performance, hired prior to July 3, 2021 making less than an annualized pay rate of \$38,090, to the city's minimum starting pay, effective the latter of the employee's merit date or the December 3, 2021 market adjustment.
- Funding to bring all non-temporary employees, with good performance, hired on or after July 3, 2021, making less than an annualized pay rate of \$38,090, to the city's minimum pay by the end of FY 2022, through a market adjustment.
- Relieve pay compression in Charlotte Mecklenburg Police (Animal Control Officer), Solid Waste Services (Sanitation Technician Senior), Charlotte Area Transit (Special Transportation Driver), and Charlotte Water (Utilities Technicians I and II) created by the increase to minimum pay.

## **Directive to Research and Analyze Shift Differential Pay**

On May 26, 2021, during the City Council Budget Straw Votes meeting, City Council directed staff to include in the FY 2022 Compensation and Benefit Recommendation the directive to research and analyze options for shift differential pay for potential inclusion in the FY 2023 Budget.

## **Mayor and City Council Compensation**

After a review by the Citizen Advisory Committee on Governance, recommend the following to align the Mayor and City Council with the Mecklenburg County Board of Commissioners.

- Funding to increase the FY 2022 base salary of the Mayor to \$39,646 and the FY 2022 base salary of City Council to \$32,638, effective July 3, 2021. The Mayor's expense allowances, as reflected in Attachment F, will reduce the annual expense allowance to \$9,795, increase the auto allowance to \$5,192, and increase the technology allowance to \$5,235. The City Council's expense allowances, as reflected in Attachment F, will increase the expense allowance to \$9,795, increase the auto allowance to \$4,776, and increase the



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technology allowance to \$5,235. These funding adjustments will align City Council directly with the Mecklenburg County Board of Commissioners, and the Mayor with the Board Chairperson of the Mecklenburg County Board of Commissioners.



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## FY 2022 BENEFITS RECOMMENDATIONS

### **Funding for Insurance Coverages**

The following group insurance coverages are provided and consistent with the Human Resources Philosophy adopted by the City Council: medical, including prescription drug; medical stop-loss; life; dental; employee assistance program; and disability coverage.

### **Health Coverage**

The city's medical insurance program is self-insured for active employees and non-Medicare retirees. Stop-loss insurance is purchased by the city to cover catastrophic claims that exceed \$500,000 per individual in a calendar year. Third-party claims administrators are retained to provide medical management services and pay medical and prescription drug claims. When budgeting for future costs, the two cost components for the medical insurance plan are the claims projected to incur and the administrative fees to be paid to the claims administrators. BlueCross BlueShield NC is the medical claims administrator and CVS Caremark is the prescription drug plan administrator. The city has a fully-insured medical and prescription drug plan administered by AmWINS for Medicare-eligible retirees.

From 2019-2021, employees have not experienced a medical premium increase. This further indicates the positive experience of the employee health clinic – MyClinic.

The following recommendations are being made:

### **Medical Plans**

- Recommended plan design changes include:
  - Reduce the in-network individual deductible up to \$250 in all medical plans (unless unallowable by IRS regulations).
- The city may be conducting a rebidding process for these services in FY22. It is recommended that the City Manager or his designee be authorized to select the vendor and execute the contract and further contract amendments upon completion of the rebidding process.
- Currently, telehealth services are provided by Teladoc. The city is conducting a bidding process for telehealth services. It is recommended that the City Manager or his designee be authorized select a vendor and execute the contract and further contract amendments with the selected vendor upon completion of the bidding process.

### **Prescription Drug Plan**

- It is recommended to provide the City Manager or designee the authority to make plan design enhancements within the overall health insurance budget.

### **Active Employee Health Plan Premiums**

- Effective January 1, 2022 reduce medical plan employee premiums by at least 5 percent in all plans and all tiers.

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- Provide the City Manager or designee the authority to establish the wellness incentive design within the overall health insurance budget.

## **Non-Medicare Retiree Health Plan Premiums**

- Effective, January 1, 2022 reduce medical plan retiree premiums by 5% for all plans, all tiers for retirees with 20 years of service.

## **Medicare-Eligible Retiree Health Plan**

- This plan is fully insured and currently administered by AmWINS. Since these plans are fully insured, it is recommended that the City Manager or designee be authorized to approve rate adjustments, plan design changes and vendor contract renewals, and vendor changes as necessary to appropriately fund these plans upon receipt of renewal rates from the Administrator of the Medicare-eligible retiree coverage.
- No changes to the current cost share philosophy for retirees in this plan are recommended.

## **Employee Assistance Program**

- The city currently offers an Employee Assistance Program (EAP) administered by McLaughlin Young. The initial three-year contract term expires December 31, 2022 with two one-year renewals. Upon receipt of renewal information, it may be necessary to rebid the EAP plan.
- It is recommended that the City Manager or designee be authorized to select a new vendor(s) and execute the contract and further contract amendments if a new vendor is selected.

## **Dental Plan**

- A bidding process is currently underway for dental. As part of the bidding process, plan design enhancements will be reviewed. It is recommended that the City Manager or designee be authorized to make plan design enhancements and set employer contributions within the overall health insurance budget.

## **Flexible Spending Account & Health Savings Account Administration**

- The Flexible Spending Accounts and Health Savings Accounts are administered by Health Equity. The current contract will expire December 31, 2022. The city will be conducting a rebidding process for administration of these plans.
- It is recommended that the City Manager or designee be authorized to select a new vendor(s) and execute the contract and further contract amendments if a new vendor is selected.

## **Health Advocacy**

- Health advocacy services are administered by Health Advocate The initial three-year contract term expires December 31, 2022 with two one-year renewals. Upon receipt of renewal information, it may be necessary to rebid health advocacy services.
- It is recommended that the City Manager or designee be authorized to select a new vendor(s) and execute



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the contract and further contract amendments if a new vendor is selected.

## **Short-Term Disability, Long-Term Disability and Family Medical Leave Administration (FMLA)**

- The city currently contracts with Unum for short-term disability administration, long-term disability carrier and for FML administration.
- The city will be conducting a rebidding process for these services. It is recommended that the City Manager or his designee be authorized to establish the plan design, select a vendor and execute the contract(s) and further contract amendments with the selected vendor upon completion of the rebidding process.

## **Life Insurance**

- Currently the group life insurance program is administered by Symetra. The current contract expires December 31, 2022.
- The city will be conducting a rebidding process for these services. It is recommended that the City Manager or his designee be authorized either to renew the current contract or select a new vendor, execute the contract and further contract amendments with the selected vendor, and to establish the plan design.

## **Stop Loss Insurance**

- The city currently contracts with BlueCross BlueShield of North Carolina for stop-loss insurance to provide protection against catastrophic or unpredictable medical claims. The policy expires December 31, 2021.
- The city will be conducting a rebidding process for stop-loss insurance. It is recommended that the City Manager or designee be authorized to either renew the current contract or select a new vendor(s) and execute the contract and further contract amendments with the selected vendor(s) upon completion of the rebidding process.

## **Voluntary Benefits**

- The city currently offers the following voluntary benefits Critical Illness, Hospital Indemnity, Accident Insurance and Group Legal with Identity Theft.
- The city will be conducting a rebidding process for these services. It is recommended that the City Manager or his designee be authorized either to renew the current contract or select a new vendor, execute the contract and further contract amendments with the selected vendor, and to establish the plan design.

## **Wellness**

- The city currently contracts with CommonWealth to provide financial empowerment classes. Recommend the City Manager or designee be authorized to renew this contract.
- The city will be conducting a bidding process for financial wellness. It is recommended that the City Manager or his designee be authorized select a vendor and execute the contract(s) and further contract amendments with the selected vendor upon completion of the bidding process.

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- The city will be conducting a bidding process for fitness services. It is recommended that the City Manager or his designee be authorized select a vendor and execute the contract and further contract amendments with the selected vendor upon completion of the bidding process.
- Currently, the city contracts with Livongo for prediabetes and diabetes monitoring supplies and services. This contract expires November 30, 2021. Recommend the City Manager or designee be authorized to renew this contract or rebid these services, select a vendor and execute the contract and further contract amendments with the selected vendor upon completion of the bidding process.
- The city is reviewing wellness solutions for behavioral health, food insecurity, stress and anxiety, tobacco cessation, and substance abuse. It is recommended that the City Manager or his designee be authorized to select a solution(s) and execute the contract and further contract amendments with the selected vendor upon completion of the bidding process.

## **Whole Life**

- The city currently contracts with Unum for whole life insurance.
- The city will be conducting a rebidding process for these services. It is recommended that the City Manager or his designee be authorized to establish the plan design, select a vendor and execute the contract and further contract amendments with the selected vendor upon completion of the rebidding process.

## **Deferred Compensation**

- It is recommended the City Manager or designee be authorized to increase the city contribution to the 457 plan for employees in the Charlotte Firefighters' Retirement System by one percent effective January 2022.



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## Attachments

**Attachment A – Market Movement Summary**

Summary of actual market movement for 2017-2020, 2021 projected market movement, and the five-year market movement average.

**Attachment B – Recommended FY 2022 Public Safety Pay Plan Structure Effective July 3, 2021**

New minimum, maximum and step rates in the Public Safety Pay Plan based on the 1.5 percent structural market adjustment recommended for FY 2022.

**Attachment C – Recommended FY 2022 Public Safety Pay Plan Structure Effective November 13, 2021**

Structural revisions to Public Safety Pay Plan recommended for FY 2022.

**Attachment D – Recommended FY 2022 Salaried Pay Plan Structure**

Twenty-six range Salaried Pay Plan recommended for FY 2022.

**Attachment E – Recommended FY 2022 Hourly Pay Plan Structure**

New minimum and maximum rates in the Hourly Pay Plan based on the 1.5 percent structural adjustment recommended for FY 2022.

**Attachment F- Mayor and City Council Compensation**

FY 2021 and Recommended FY 2022 Mayor and City Council Compensation