

DHRM TOTAL COMPENSATION BULLETIN

Compensation for State Employees FY 2011

Effective Date: June 26, 2010

Reference: UCA 67-19-1
UCA 67-19-3
UCA 67-19-6
UCA 67-19-(11-12)
UCA 67-19-(14-16)
UCA 67-19-18
UCA 67-19-30
UCA 67-19a-101
UCA 67-19a-(201-202)
UCA 67-19a-(203-204)
UCA 67-19a-(301-303)
UCA 67-19a-(401-404)
UCA 67-19a-(406-408)
S.B. 43

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Legislative Language

H.B. 140:

Modifies the Utah State Personnel Management Act:

- Removes the requirement that the general pay plan contain steps in increments of 2.75%.
- Removes the requirement that Program II sick leave hours be used before Program I sick leave hours.
- Consolidates and clarifies career service exempt schedule codes and creates schedule codes IN and TL for part-time indefinite and time limited employees.
- Makes changes to the career service grievance process, eliminates the career service review board, and creates the career service review office.
- Codifies the current practice that rehired retirees cannot hold their unused sick leave hours at retirement for future use.
- Removes the requirement that agencies must give a salary increase for a reclassification; and modifies promotional increases to be a minimum of 5% with no maximum as long as it is within the salary range.
- The effective date of this bill is July 1st, 2010

S.B. 43:

Amends provisions related to a retiree who returns to work for another URS covered employer (Rehire/Retiree Bill):

- Removes the requirement that a rehire/retiree who is reemployed before July 1, 2010, receive the same contribution that would have been given to an active employee's defined benefit contribution into a 401k. Instead, these employees may get up to the normal contribution rate.
- Mandates beginning July 1, 2010, an employee who retires must wait one year before being reemployed with any URS covered employer to avoid having their retirement benefit stopped and being returned to active member status. This includes all employment, regardless of hours or benefited status, including contract work.
- Provides two options for retirees who reemploy on or after July 1, 2010:
 - The employee's retirement benefit continues however, the employee does not receive an employer contribution into a 401k.
 - The employee's retirement benefit is stopped, and the employee returns to active status and continues to accrue service credit. The employee must work two years in order to receive credit for the new period of service.
- Provides that employees who retire from a public safety retirement system after July 1st, 2010 do not have a 70% maximum pension benefit restriction.

General Salary Updates

No legislative salary increases were approved for FY2011 although the legislature funded ½ of the 12% medical increase and the entire contribution rate increase in defined benefit plans

	Total Compensation Increase	Increase as a % of Salary
Medical	0.50%	1.31%
NC Retirement	<u>1.07%</u>	<u>2.10%</u>
Total	1.57%	3.41%

	PS Total Compensation Increase	PS Increase as a % of Salary
Medical	0.42%	1.24%
PS Retirement	<u>1.03%</u>	<u>2.57%</u>
Total	1.45%	3.81%

- Cost-of-Living Adjustments
Cost-of Living Adjustments (COLA's) were not approved for FY2011.
- Market Comparability Adjustments
Market Comparability Adjustments (MCA's) were not approved for FY2011. No salary ranges will be adjusted.
- Merit Increases
Merit increases were not approved for FY2011.
- Discretionary Pay

Discretionary pay was not approved for FY2011.

Pay Plan Changes

While there were no legislatively approved salary adjustments this year, significant changes have been made to pay plans and the process that is used in making salary action entries in HRE, effective July 1st, 2010. Play plan and HRE entry information will be covered in this section:

General Principles:

- The pay plan will no longer include steps in increments of 2.75%.
- Salary ranges will still have established minimum and maximum rates. Employees must work at or above the minimum of the range and not more than the maximum of the range except for employees in longevity.
- Pay rate increases or decreases (except for legislatively approved and longevity) shall be made in increments of ½% and are within the salary range for the applicable position. HRE will have a calculator available to help determine the ½ % increase but the system will not be programmed with hard edits. DHRM employees need to make sure of the accuracy and consistency of the ½ % when making HRE entries.

Promotions:

- An employee promoted to a position with a salary range maximum exceeding the employees current salary range maximum shall receive an increase:
 - of at least 5%, and
 - any increase above 5% should be in increments of ½%
- There is no longer a limit on the percentage increase that can be given for a promotional increase as long as it is at least 5% and in ½% increments or up to the salary range maximum.
- HRE will allow a new salary action to be entered either by entering a new hourly rate or by entering a percentage and having the new hourly rate calculated for you. The two options are available to accommodate Courts, Legislature, and the Attorney General's Office. We are requiring that all Executive branch increases are entered using the percent method, so that rounding is consistent between all employees. We will also have a calculator available to help employees and you determine the minimum 5% increase and ½% increment adjustments. HRE will not be programmed with hard edits. DHRM employees need to make sure of accuracy and consistency in making promotional increases in HRE. Attempts should be made to work with agency management so that promotional salary offers are made for at least 5% and in ½% increments or up to the salary range maximum.

Merit & MCA Increases:

- Legislatively approved merit & MCA increases will no longer be required to be made in increments of 2.75%. However, neither of these increases was approved for FY 2011.

Longevity:

- There were no changes to the criteria for longevity increases and these increases will still be made in increments of 2.75% for employees that meet the criteria specified in R477-6-4(4).
- Longevity salary actions in HRE will not be associated to a step scale that is selected in the system, because the longevity pay plan will no longer exist. In order to enter a longevity action

you must enter it as a 2.75% increase from the range maximum for the first longevity increase and additional increases every three years for which the employee is eligible.

- HRE will allow a new salary action to be entered either by entering a new hourly rate or by entering a percentage and having the new hourly rate calculated for you. The two options are available to accommodate Courts, Legislature, and the Attorney General's Office. We are requiring that all Executive branch longevity increases are entered using the percent method (2.75%), so that rounding is consistent between all employees.
- The HRE system will allow you to enter salary increases above the maximum of the salary range so as to accommodate longevity increases in increments of 2.75%. You will receive a warning message but the system will not stop a salary action that goes above the salary range maximum. Please take care to ensure that only longevity increases go above the maximum range of the job.
- Employees in schedules AB, IN, or TL are not eligible for the longevity program. This is a change from current practices which previously only excluded employees in schedule AB. This means, part-time indefinite and employees in time-limited positions will now be excluded as well. Employees in schedule codes TL and IN who are already in longevity on 7/1/2010 will not have their salaries reduced, but they will not be eligible for any additional increases.

Reclassifications:

- If an employee is reclassified to a position with a higher salary range maximum, agency management may approve a salary increase. Reclassification increases must be in increments of ½% and within the salary range of the new position.
- There is no longer a requirement that automatically warrants an increase in pay for reclassification actions. The only exception would be if an employee's actual salary is lower than the salary range minimum for the new position, then the employee's salary would need to be adjusted to the new salary range minimum.

Administrative Salary Increase (ASI)/Administrative Salary Decrease (ASD):

- There is no limit on the percentage increase that can be given for an ASI or ASD as long as it is in ½% increments and does not go above the maximum or below the minimum of the salary range.

Demotions:

- Demotions must be in ½% increments and within the salary range of the lower position in which the employee is placed.

Reassignments/Transfers:

- The rules for reassignments or transfers have not changed however, if there is a reduction in salary it must be in ½% increments and within the salary range of the position.

Special Pay Plan Considerations for Agencies:

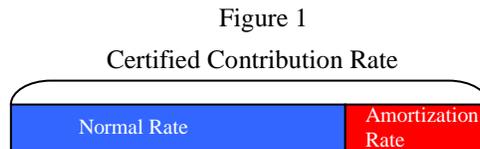
- Agencies that have separate policies in regards to internal pay practices may need to modify those policies. For example, an agency that has an internal policy that gives a one step (2.75%) ASI increase to an eligible employee who successfully completes a probationary period will no longer be able to meet this policy under the new pay plan because ASI increases must now be in ½% increments. Please work with your agency management to help design appropriate policies under the new pay plan.
- Agencies may need to modify forms that are used for internal pay increases and decreases to ensure that they are compliant with the changes to pay plans.

Retirement Changes

- The legislature funded the entire contribution rate increase in defined benefit plans estimated to be an annual amount of \$931.33 for the average benefited employee. This constitutes a 1.07% increase to total compensation.

Refer to the following figure to help you conceptualize the contribution rates explained in the next three bullet points.

(Figure Not to Scale)



- Beginning July 1st, 2010 the retirement contribution rate for employees on the public employees' noncontributory retirement system will be 16.32%. This is a 2.1% increase from the previous year. 16.32% is the certified contribution rate, the normal cost rate is 11.87% and the amortization rate of the unfunded actuarial liability is 4.45%. (refer to figure #1)
- Beginning July 1st, 2010 the retirement contribution rate for employees on the public safety noncontributory retirement system will be 32.75%. This is a 2.75% increase from the previous year. 32.75% is the certified contribution rate, the normal cost rate is 22.90% and the amortization rate of the unfunded actuarial liability is 9.85%. (refer to figure #1)
- Rehired retirees who have reemployed before July 1st, 2010 MAY receive up to the normal cost rate into their 401k. Previously rehired/retirees received the entire certified contribution rate so they will see a reduction in their 401k contributions beginning July 1st, 2010. (refer to figure #1)
- Rehired retirees who reemploy after July 1st, 2010 WILL NOT receive any contribution into a 401k if they elect to continue receiving retirement benefits. If they elect to stop their retirement the employee returns to active status and continues to accrue service credit and a 1.5% contribution to a 401k.

Medical and Dental Insurance Changes

- The legislature funded ½ of the 12% increase to the employer portion of health care costs estimated to be \$581.77 for the average benefited employee. This constitutes a .50 % increase to total compensation.
- An increase has been added to out-of-pocket maximum for all plans from the current \$2000 individual/\$4000 family, to \$2500 single coverage/\$5000 double coverage/&7500 family coverage.

- An out-of-pocket maximum will be added to the pharmacy benefit of \$3000 per individual. This maximum does not apply to non-preferred drugs and the cost difference between a generic drug and brand name drug when a substitute generic is available.
- Beginning January 1st, 2011 there will be changes to FLEX plans as a result of federal legislation in health care reform. Over-the-counter medicine will no longer be eligible for reimbursement without a prescription. All over-the-counter medications must be obtained prior to December 31, 2010, to be eligible for reimbursement.
- Employees will see a rate change to the PEHP Preferred Care Plan for FY2011. The bi-weekly rates are: Single coverage \$66.28; Two-Party coverage \$136.66; Family coverage \$182.43.
- Employees enrolled in the Advantage Care or Summit Care Plans will continue to pay 5% of the premium. The rates will change for FY2011. The bi-weekly rates will be: Single coverage \$9.57; Two-party coverage \$19.73; Family coverage \$26.34.
- There will be no change to premiums for employees on the High-Deductible Health Plan offered on the Advantage and Summit Care plans. The State pays 100% of the premium for this plan and the benefits will mirror the Preferred Care HDHP benefits.
- The premium for Preferred Care HDHP will be as follows: Employee bi-weekly premiums for FY2011 are: Single coverage \$46.93; Two-party coverage \$94.45; Family coverage \$101.22.
- The pharmacy benefit for all plans, (except the HDHP plans), will continue to have a deductible of \$100 for single coverage and \$200 for two-party and family coverage.
- The dental plans available to state employees, effective July 1, 2010 are: PEHP Traditional Dental, PEHP Preferred Choice Dental, and ValueCare Dental (Expressions Blue Cross/Blue Shield of Utah).
- Rates for ValueCare Dental plans will change. If you have single coverage, you will now pay a bi-weekly premium. Employee bi-weekly premiums in FY2011 will be: Single coverage \$1.39; Two-party coverage \$10.69; Family coverage \$15.23.
- Employee bi-weekly premiums for PEHP Traditional Dental in FY2011 will not change: Single coverage \$6.45; Two-party coverage \$8.42; Family coverage \$12.06.
- Employee bi-weekly premiums for PEHP Preferred Choice Dental in FY2011 will not change: Single coverage \$1.06; Two-party coverage \$1.35; Family coverage \$1.95.

HRE and Fiscal Year End Information

- The HRE system will go down at 5:00 p.m. on Wednesday, June 30, 2010, to process Fiscal Year End changes. The system will be operational again on Tuesday, July 6th, 2010, at 7:00 a.m. to allow for the 4th of July holiday. When the system comes back up on July 6th changes to the salary steps and schedule codes will take effect. If you are processing salary actions that are effective before July 1st, 2010 you will need to manually enter the hourly rate according to the FY2010 General Pay Plan. Salary actions after July 1st, 2010, will need to be entered according to the Pay Plan change section of this document.

- HR field offices who are responsible to update the spreadsheet of deleted schedules AE, AF, AI, AJ, and AL with new schedules IN or TL will have until Thursday, June 17, 2010 to accommodate fiscal year end processing. Only new employees hired between June 17, 2010 and June 30, 2010 will be accepted after this date. If changes are not submitted before fiscal year end processing on June 30, 2010, it will be the responsibility of the individual HR offices to manually enter the changes themselves after fiscal year end processing on July 6th, 2010.
- Individual HR field offices are responsible to manually enter longevity increases, this will require that field offices run a report and enter performance evaluations into HRE for all employees affected by a longevity increase. When processing longevity actions in HRE this year you should continue to select the applicable step from the longevity pay plan. Longevity actions processed after July 1st, 2010, should be made in conjunction with how longevities are entered in HRE according the Pay Plan change section of this document.
- The annual practice of completing and entering evaluations into the HRE system should continue even without the approval of a general salary adjustment for FY11.
- The first paycheck date for FY11 will be on Thursday, July, 22nd 2010 which is one day early because of the 24th of July holiday on the following Saturday. This paycheck represents 5 days of work and leave used in FY10 and 9 days of work and leave used in FY11.