

NORTH DAKOTA LEGISLATIVE MANAGEMENT

Minutes of the

**STATE EMPLOYEE COMPENSATION SYSTEM OVERSIGHT COMMITTEE**

Thursday, March 3, 2011  
 Brynhild Haugland Room, State Capitol  
 Bismarck, North Dakota

Senator Dick Dever, Chairman, called the meeting to order at 4:00 p.m.

**Members present:** Senators Dick Dever, Karen K. Krebsbach, Carolyn C. Nelson, Rich Wardner; Representatives Randy Boehning, Bette B. Grande, Karen Karls, Ralph Metcalf, Shirley Meyer, Michael R. Nathe, Dan Ruby, David S. Rust, Blair Thoreson, Dave Weiler

**Members absent:** Senator Richard Marcellais; Representatives Larry Bellew, Glen Froseth, Jim Kasper

**Others present:** See [Appendix A](#) for additional persons present.

Chairman Dever said the State Employee Compensation System Oversight Committee was formed to continue the work of the interim Government Services Committee to oversee the implementation of recommendations resulting from the Hay Group study of the classified state employee compensation system. He said the Legislative Council contracted with Hay Group to begin the initial implementation process in November 2010. He welcomed new members to the committee, explaining the new members replaced outgoing legislative members of the Government Services Committee.

**IMPLEMENTATION OF CLASSIFIED STATE EMPLOYEE COMPENSATION SYSTEM STUDY RECOMMENDATIONS**

Chairman Dever said [2011 House Bill No. 1031](#) was recommended by the Legislative Management as a result of the work of the interim Government Services Committee to implement recommendations from Hay Group's classified state employee compensation system study. He said the bill creates a new section to North Dakota Century Code Chapter 54-44.3 to place a compensation philosophy statement into statute, provides directives to the Office of Management and Budget (OMB) for the implementation of Hay Group's recommendations, and requires OMB to provide status reports on the implementation of the recommendations to the State Employee Compensation System Oversight Committee during the legislative session and to the Budget Section during the 2011-12 interim. He said House Bill No. 1031 has passed the House and is currently under consideration in the Senate.

**Hay Group**

Chairman Dever called on Mr. Neville Kenning, Vice President, Hay Group, Los Angeles, California, to provide an update on the status of the implementation of recommendations relating to the state employee compensation system study. Mr. Kenning provided a handout outlining the progress to date and the next steps of implementation ([Appendix B](#)). The following chart summarizes the status of the workplan Hay Group provided for the implementation of recommendations:

House Bill No. 1031 Directive	Hay Group Implementation Component	Progress to Date	Next Steps
Methods used to develop and determine classifications	Simplify the classification and reclassification process  Creation of a classification committee that includes agency and Human Resource Management Services (HRMS) staff  Revise classification and reclassification forms  Revise classification specifications  Communicate and educate employees on the classification process	Preliminary process redesign and forms done by Hay Group in December 2010  Meeting held with HRMS and agency human resources leaders and classification staff on January 5, 2011  Feedback from agencies due January 21, 2011  Consolidation of feedback from agencies	Hay Group will review feedback and determine what changes should be made to the preliminary design.  Recommended changes to be finalized by March 18, 2011

House Bill No. 1031 Directive	Hay Group Implementation Component	Progress to Date	Next Steps
Minimize salary inequities both within an agency and within state government	<p>Provide job evaluation training for HRMS job evaluators</p> <p>Evaluate, review, and refine common job classifications to create a framework of classified positions</p> <p>Review unique job classifications and developing a classification framework that ensures internal equity exists and that all classifications are appropriate</p> <p>Identify broad compensation system classifications and determine the appropriateness of the classification</p> <p>Identify jobs that are unique to an agency and assess the appropriateness of these jobs being included in statewide classifications</p>	<p>Formation of Job Evaluation Committee consisting of seven HRMS staff and eight agency human resources staff</p> <p>Training of this committee plus 11 other agency human resources staff on the Hay Group method of job evaluation completed January 24-25, 2011</p> <p>Purchase of the Hay Group job evaluation manager technology to enhance the speed and efficiency of the job evaluation process</p> <p>Training of HRMS staff in the use of the job evaluation manager completed January 12-13, 2011</p> <p>Evaluation of benchmark classification job evaluations by Hay Group completed by early January 2011</p> <p>Review of benchmark job evaluations by the Job Evaluation Committee January 25-29, 2011</p> <p>Slotting of remaining classifications by the Job Evaluation Committee working as small teams completed February 7-18, 2011</p>	<p>Review of the job evaluations for all 900+ classifications by Hay Group and the Job Evaluation Committee March 2-4, 2011</p> <p>Development of a new grade structure to be completed by March 18, 2011</p>
Develop appropriate market comparisons and methods to set pay grade minimums, maximums, and midpoints	<p>Redesign the grade structure and reassigning common and unique job classifications</p> <p>Customize salary surveys and market analyses for the determined relevant labor market</p> <p>Identify job family and occupational groups that require different pay strategies from regular pay classifications</p> <p>Develop salary ranges for the general pay structure and for job family and occupational group structures</p> <p>Decrease the width of salary ranges and performing cost-to-implement analyses</p> <p>Perform statewide, agency, and job family and occupational group internal equity analyses</p>	<p>Identification of major sectors of employment in North Dakota completed December 3, 2010</p> <p>Identification of employers for participation in salary survey completed by December 21, 2010 (112 employers in 11 sectors)</p> <p>Selection of salary survey benchmark positions completed by December 21, 2010 (103 benchmark positions)</p> <p>Design of survey instrument completed by December 22, 2010</p> <p>Distribution of survey instrument completed by January 7, 2011</p> <p>Intensive followup of targeted participants</p>	<p>Roll in survey data from other sources such as:</p> <ol style="list-style-type: none"> <li>1. Central states compensation survey</li> <li>2. Job Service North Dakota survey</li> <li>3. Hay Group pay-net database</li> <li>4. Health care survey</li> </ol> <p>Analysis of survey data</p> <p>Roll in analysis done on benefits as part of the classified state employee compensation system study</p> <p>Preliminary development of new salary structures March 15, 2011</p> <p>Development of new salary structures to be completed by March 30, 2011</p> <p>Development of preliminary cost implications, if any, of new salary structures</p>

House Bill No. 1031 Directive	Hay Group Implementation Component	Progress to Date	Next Steps
Develop cost estimates for potential fringe benefits adjustments	<p>Increase the basic life insurance benefit from the current level of \$1,300 to an amount equal to each employee's annual salary level or a benefit level of at least \$25,000</p> <p>Implement a long-term disability benefit separate from the pension plan</p> <p>Require employees to share in the cost of health care insurance premiums</p>	<p>Initial survey response date of February 4, 2011</p> <p>Continued intensive followup of survey participants</p> <p>Any actions to be taken are to be considered within the context of the total remuneration analysis and the health care and retirement plan changes being considered by the Legislative Assembly</p>	
Expand recruitment and retention tools	<p>Develop guidelines and amounts for recruitment and retention bonuses</p> <p>Define the type of performance to be recognized and rewarded through a performance bonus</p> <p>Review the appropriateness of performance bonus maximums</p> <p>Continue to assist agencies in determining the appropriate utilization of nonmonetary rewards for employee retention efforts</p> <p>Develop a targeted retention program for employees with three to five years of service</p>	<p>No action taken on this component to date</p>	<p>March-April 2011</p>
Develop a consistent long-term salary increase administration policy by determining the funding request for salary adjustments using a single funding allocation method that includes performance and equity components	<p>Continue to utilize two key components-- performance and equity--for movement of pay. However, going forward, fund pay movement through one pot of money rather than two separate allocations of funds. This will allow a greater linkage between relativity to market and performance. It is recommended that the following principles be applied:</p> <ul style="list-style-type: none"> <li>• For positions which are below market target, both a market adjustment and a performance payment be made;</li> <li>• For positions where the incumbent is above market target, a performance payment be made; and</li> <li>• For positions which are high in their salary range, the performance payment may be made with a mix of base salary and lump sum payment.</li> </ul> <p>Communicate appropriated funds as a dollar amount rather than a percentage</p> <p>Fund employee salary increases at the beginning of the budget and appropriation process</p>	<p>No action taken on this component to date</p>	<p>To be done once new grade and salary plans developed</p> <p>Work will commence in the period April 1-15, 2011, and will be further refined in the period April 15-June 30, 2011, in preparation for implementation</p>

House Bill No. 1031 Directive	Hay Group Implementation Component	Progress to Date	Next Steps
Analyze the effect of: a. Appropriating funds to agencies for accrued employee annual leave and sick leave. b. Defining "vacant" positions and excluding long-term vacant positions from agency budget requests.	Fund annual/sick leave  Define "vacancy" positions. It is Hay Group's opinion that the period between one employee leaving a position and another employee filling that position constitutes genuine vacancy savings and the agency should have the flexibility to utilize those salary dollars.	No action taken on this component to date	To be done once new grade and salary plans are developed  To be addressed in the period April 1-June 30, 2011

Mr. Kenning said the implementation of recommendations is on schedule with the proposed timeline that provides for the initial implementation of the recommendations to be completed by April 2011. He explained this will ensure that information on the estimated funding necessary for the 2011-13 biennium relating to implementation will be available to the Legislative Assembly prior to adjournment of the 2011 legislative session. He said implementation is focusing on creating internal equity and external competitiveness within the classified employee compensation plan. He commended HRMS staff for handling the increased workload to assist in implementing recommendations and thanked state agencies for their cooperation and assistance during the implementation process to date.

In response to a question from Senator Dever, Mr. Kenning said required legislative action associated with recommendation implementation may include an appropriation to address internal equity and external competitiveness of salaries and a potential change to the existing appeals process involving the State Personnel Board.

**Office of Management and Budget**

Mr. Ken Purdy, Compensation Manager, Human Resource Management Services, Office of Management and Budget, commented on the status of the implementation project. He provided a handout detailing HRMS involvement in the implementation of recommendations ([Appendix C](#)). He said HRMS personnel have been most involved with the directive to minimize salary inequities both within an agency and within state government. He said this has involved a significant update of the class evaluation system used by HRMS, including adopting the Hay Guide Chart - Profile Method of job evaluation and training a job evaluation team to use the system. He

explained the team consists of seven HRMS staff members and eight agency human resources staff from the Information Technology Department, State Department of Health, Department of Human Services, Job Service North Dakota, Workforce Safety and Insurance, Department of Corrections and Rehabilitation, State Water Commission, and Department of Transportation. He said the upgraded system will result in an extensively validated job evaluation system that provides consistency in measuring the content of job classes in state government.

**COMMITTEE DISCUSSION AND STAFF DIRECTIVES**

Chairman Dever asked the Legislative Council staff to provide Hay Group with updates on any legislation affecting the Hay Group implementation of classified state employee compensation system study recommendations.

Chairman Dever said the next meetings of the committee are tentatively scheduled for Tuesday, April 5, 2011, and Thursday, April 14, 2011.

No further business appearing, Chairman Dever adjourned the meeting at 5:15 p.m.

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Sara E. Chamberlin  
Fiscal Analyst

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Allen H. Knudson  
Legislative Budget Analyst and Auditor

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