



Ad Hoc Committee Meeting

Tuesday, March 21, 2023 at 4:30 PM

City Council Chambers, City Hall (515 2nd Ave SW)

Any person needing special accommodation for the meeting is requested to notify the City Clerk's office at 857-4752.

1. GALLAGHER PRESENTATION

Documents:

[GALLAGHER COMPENSATION STUDY PRESENTATION.PDF](#)

2. DISCUSSION ON PAY PLAN & OVERTIME

City of Minot  
Compensation Study



Gallagher Human Resources & Compensation Consulting  
July, 2022



**Gallagher**

Insurance | Risk Management | Consulting



**Gallagher**

Insurance | Risk Management | Consulting

# Table of Contents

- 
1. Study Background

---

  2. Compensation Study

---

  3. Recommendations

---



**Gallagher**

Insurance | Risk Management | Consulting

## Background

- The City of Minot (City) contracted with the Public Sector practice within Gallagher's Human Resources and Compensation Consulting practice (Gallagher) to conduct a compensation study.
  - The objectives of the study were to:
    - ≈ Conduct a custom survey to collect market salary information.
    - ≈ Develop recommendations for salary adjustments to ensure alignment with the market.



**Gallagher**

Insurance | Risk Management | Consulting

## Compensation Study

- Gallagher collected salary data for a total of 95 benchmark jobs:
  - The City identified 64 benchmark jobs for inclusion in the custom survey.
  - Gallagher leveraged salary data from a recent survey conducted for a County in North Dakota, for an additional 31 benchmark jobs.



**Gallagher**

Insurance | Risk Management | Consulting

## Compensation Study

- For positions included in the custom survey, the data were collected by phone calls and emails to survey participants.
- Upon receiving the participant data, Gallagher staff performed many reviews of the data. Any data issues or questions were resolved through follow-up calls and/or emails.
- The list of organizations invited to participate is provided on the following slide.



# Compensation Study

## Participated (16)

Burleigh County, North Dakota	Dickinson Municipal Airport Authority
City of Dickinson, North Dakota	Grand Forks Regional Airport Authority
City of Fargo, North Dakota	Missoula County Airport Authority
City of Grand Forks, North Dakota	Stark County, North Dakota
City of Mandan, North Dakota	State of North Dakota
City of Rapid City, South Dakota	Ward County, North Dakota
City of West Fargo, North Dakota	Williams County, North Dakota
City of Williston, North Dakota	Williston Basin International Airport

## Gallagher Data Mined Using Website Information (2)

City of Sioux Falls, South Dakota	Outagamie Regional Airport
-----------------------------------	----------------------------

## Did Not Participate (8)

City of Billings, Montana	Great Falls International Airport Authority
City of Bismarck, North Dakota	Helena Regional Airport
City of Moorhead, Minnesota	Rapid City Airport
Gallatin Airport Authority (Bozeman)	Sioux Falls Regional Airport



**Gallagher**

Insurance | Risk Management | Consulting

## Compensation Study

- We collected base pay data of comparator organizations and analyzed the data at the 25th, 50th, and 75th percentile of actual pay and pay ranges.
- Percentiles were calculated using average actual pay:
  - Market 25th percentile is the point where 25% of data falls below and 75% of data falls above.
  - Market 50th percentile (median) is the point where 50% of data falls below and 50% of data falls above.
  - Market 75th percentile is the point where 75% of data falls below and 25% of data falls above.





**Gallagher**

Insurance | Risk Management | Consulting

## Compensation Study

- We followed the U.S. Department of Justice and Federal Trade Commission guidelines that require five job matches per job in order to conduct statistical analyses or for drawing conclusions:
  - Data collected for 79 of 95 benchmark jobs met this criteria.



**Gallagher**

Insurance | Risk Management | Consulting

## Compensation Study

- We applied geographic differentials to ensure that the data was reflective of the City's labor market and economic conditions.
- We used Economic Research Institute (ERI) to identify the appropriate geographic differences.
- For example, if the geographic differential for the North Central Region is 1.02, data collected representing the North Central Region is increased by 2% to reflect the City's local labor market.



**Gallagher**

Insurance | Risk Management | Consulting

## Compensation Study

- We aged all salary data to a common effective date, July 1, 2022 using the WorldatWork prevailing market trend of 3% per year for actual salaries and 2% for salary structure.
- We combined data to calculate the 25th, 50th, and 75th percentiles of base salary:
  - Positive (+) figure indicates that the City pays above the market.
  - Negative (-) figure indicates that the City pays below the market.
- We used the following guidelines when determining the competitive nature of current compensation:
  - +/-5% = Highly Competitive
  - +/-5-10% = Competitive
  - +/-10-15% = Possible misalignment with market
  - >15% = Misalignment with market



# Compensation Study

- We calculated the overall difference between City benchmark jobs and the market 50<sup>th</sup> percentile for comparison.
  - The 50<sup>th</sup> percentile represents the competitive market, or the middle of the market, and the target pay level for a majority of organizations.
  - Time to reach fully competitive market rate varies by job, but commonly requires 5-10 years in position, depending on organization strategy, performance processes, and related factors.
- Overall, City benchmark jobs are -0.1% below market 50<sup>th</sup> percentile, which is considered highly competitive.
  - Individual jobs may have a greater variance from the market. Comparisons by position have been provided under separate cover.
  - Factors such as performance and time in position impact actual salaries and have an impact on the differences between the City and the market actual salaries for individual jobs.
  - We have developed options for updating salaries for positions that have greater variance from the market 50<sup>th</sup> percentile.



**Gallagher**

Insurance | Risk Management | Consulting

# Recommendations

- Implementation Options

- Gallagher calculated the following options for adjusting salaries to ensure market competitiveness:

- ≈ Option 1: Bring salaries up to market 50<sup>th</sup> percentile data point for the position.

- ≈ Option 2: Bring salaries to within 15% of market 50<sup>th</sup> percentile data point for the position.

- ≈ Option 3: Bring salaries to a target position in the current ranges based on time in position.



# Recommendations

- Implementation Options

- The following table outlines benefits and drawbacks associated with each option:

Implementation	Benefit	Potential Drawback
Option 1: Bring to market 50th	<ul style="list-style-type: none"><li>✓ Simple to explain</li><li>✓ Ensures market competitive rate for all positions studied</li></ul>	<ul style="list-style-type: none"><li>✓ Significant cost impact</li><li>✓ Does not factor in time in position (i.e. an individual new to a position should not necessarily be paid at the market 50th rate)</li><li>✓ Recommendation relies on single market point</li></ul>
Option 2: Bring to within 15% of market 50th	<ul style="list-style-type: none"><li>✓ Balances cost impact</li><li>✓ Balances market competitiveness with standard compensation guidelines</li><li>✓ Accounts for data anomalies</li></ul>	<ul style="list-style-type: none"><li>✓ More difficult to explain</li><li>✓ Does not directly factor in time in position</li></ul>
Option 3: Bring to position in range	<ul style="list-style-type: none"><li>✓ Balances cost impact</li><li>✓ Utilizes time in position to determine competitive salary</li></ul>	<ul style="list-style-type: none"><li>✓ Not directly tied to market data</li><li>✓ Does not “fix” alignment issues if current range is misaligned with market</li></ul>



# Recommendations

- Implementation Options

- The following table outlines implementation costs associated with each option:

<b>Implementation</b>	<b>Option 1: Bring to market 50th</b>	<b>Option 2: Bring to within 15% of market 50th</b>	<b>Option 3: Bring to position in range</b>
Cost	\$1,230,374	\$229,217	\$5,196
% of Salary Cost	4.8%	0.9%	0.0%
# of Increases	141	57	5



# Recommendations

- The following table outlines current and updated average range penetration (employee placement between range minimum and maximum, 0% range penetration would mean an employee is at range minimum) for the three options for updating salaries:

	Bring to Market 50th	Bring to Within 15% of Market 50th	Bring to Position in Range
Current Average Range Penetration	58%	58%	58%
Updated Average Range Penetration	71%	60%	58%

- These figures indicate that upon implementation of one of the salary update options, employees will still have room to progress through the salary range.





**Gallagher**

Insurance | Risk Management | Consulting

## Recommendations

- Select an implementation option for updating employee salaries.
- The salary structure should be adjusted by a structure movement trend factor every year to remain competitive with the market.
- In addition to adjusting the salary structure each year to keep pace with the market, the City should continue to conduct a comprehensive market compensation study at least every three to five years.

# Thank you

Mike Verdoorn, [mike\\_verdoorn@ajg.com](mailto:mike_verdoorn@ajg.com)  
Megan Olson, [megan\\_olson@ajg.com](mailto:megan_olson@ajg.com)

1600 Utica Avenue, Suite 450  
St. Louis Park, MN 55416

©2022 ARTHUR J. GALLAGHER & CO. | [AJG.COM](http://AJG.COM)



**Gallagher**

Insurance | Risk Management | Consulting