

# State of North Carolina 2012 Compensation & Benefits Report



**Office of State Personnel**  
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## **COMPENSATION & BENEFITS REPORT: MAY 2012**

This Compensation & Benefits report responds to the requirements expressed in NCGS 126-7(b) [State Personnel Act] to guide the Governor and the General Assembly in making funding appropriations for State employees' salary increases. The results of the compensation survey are presented to the Appropriations Committee of the House and Senate no later than two weeks after the convening of the legislature in odd years and May 1<sup>st</sup> of even years. This year's Compensation and Benefits Report presented for the "short session" of the Legislature will briefly address recent economic and labor market conditions and set the stage for strategic planning to address them. Extensive analysis of specific labor market conditions affecting benchmark jobs has not been conducted due to lack of resources and relatively flat market movement.

The State Personnel Act states *"It is the policy of the State to compensate its employees at a level sufficient to encourage excellence of performance and to maintain the labor market competitiveness necessary to recruit and retain a competent workforce."* This statutory provision expresses the state's philosophy in the development and administration of compensation policies, rules and practices for all employees subject to the State Personnel Act. However, it is often in direct conflict with other state laws and practices. For example, while the state currently requires a performance management system with performance rewards to be funded by the General Assembly, there consistently has been no funding for performance rewards of any kind for over ten years.

Market movement has been relatively stagnant during the past three years because of the economic downturn, but is beginning to pick up again, particularly in the private sector. In light of these improving economic conditions, North Carolina must focus on its total compensation programs and recognize that its employees – or "human capital" – are its most valuable asset. Legislative increases of any kind have not been granted since 2008, and past cost-of-living adjustments have not been reflective of such relevant economic indicators as the Consumer Price Index or average market movement. Across-the-board salary adjustments as typically granted by the Legislature "reward" employees with the same percentage increase regardless of their level of contribution or value to the employing organization. Additionally, legislative restrictions on equity and market-based salary increases are seriously affecting agency and university efforts to recruit and retain employees. For North Carolina to manage its talent effectively, its compensation programs must eventually change from a "one size fits all" mentality to a performance culture that assigns more value to high-performing employees in key roles. This includes seriously examining options to progress employees within their current grade or band based on their contributions, and utilizing compensation tools other than base pay increases for recognizing and rewarding excellent performance.

Health care options have improved since the introduction of the Preferred Provider Organization (PPO) program, but continue to be costly. Serious State Health Plan budget deficits in 2008 led to changes in cost and coverage for state employees. Further cost containment measures were instituted with a smoking cessation program in 2010, but were later abandoned.

In continuing difficult financial times, we must pursue creative ways of attracting and retaining high performing employees. This is especially critical as the "Baby Boomer" generation begins to age out of the labor market over the next several years. The average age of the state

workforce continues to increase, and the need to recruit a new generation of employees is paramount. This next generation wants more flexibility in their total rewards package (direct compensation, benefits, development and work-life programs).

Legislative support for pay innovations and funding for strategic compensation studies, competency-based pay systems, performance-based reward systems, improving benefits and attention to work life balance issues will move North Carolina closer to its goal as an employer of choice while maintaining a commitment to cost-effective systems for managing its human capital investment.

### **2012 recommendations are as follows:**

- **Discontinue restrictions on market and equity-based salary increases.** As competitors' salaries continue to increase, N.C.'s salary restrictions have begun to seriously hamper recruitment and retention efforts and created internal inequities that will become increasingly difficult to remedy the longer the restrictions are in place.
- In order to keep state employees' salaries in line with overall labor market trends, base future cost-of-living increases on the Consumer Price Index (CPI) and career growth increases on the relationship between CPI and average market movement.
- In keeping with past practice, increase the "Fair Minimum Rate" from \$22,067 to \$23,863 (125% of 2012 Federal Poverty Guideline for a family of three).
- Plan for expansion of the number of compensation programs available to State workers, such as Signing Bonuses, Performance Bonuses, Employee & Team Incentive Pay, etc. in order to match the variety of offerings by many of our competitors.
- In order to increase participation and lower costs for the State Health Plan, consider a higher subsidy for Employee/Children and Employee/Family coverage. A higher employer contribution in general would make the state more competitive with N.C. counties and municipalities.
- Promote and support workforce planning, total compensation and employee engagement programs to recruit and retain talent. Consider the state's workforce as "human capital" and make appropriate investments to maintain and increase its quality. This is considered to be especially critical as the "baby boomer" generation continues to age out of the state's workforce and economic conditions begin to improve, leading younger workers to focus on jobs in the private sector.
- Provide funding to each agency and university to use to reward employees based on performance. This allocation differs from the traditional career-growth increase and performance bonus.
- Allow agencies and universities the flexibility to design performance and alternative pay systems based on their organizational needs and culture, with consultation from the Office of State Personnel. OSP maintains a Performance Solutions web site ([www.performancesolutions.nc.gov](http://www.performancesolutions.nc.gov)) and has a staff of professionals dedicated to helping agencies and universities meet their workforce planning needs.

- Change the State Health Plan Year from July 1 - June 30 to January 1 - December 31, so that SPA employees can better plan their out-of-pocket expenses and strategies for NC Flex contributions and other benefit programs.
- Give employees flexibility in choosing how the employer's portion of the state health plan premium is allocated (i.e. family coverage, medical savings accounts, supplemental retirement plans, etc.) according to individual benefits needs and preferences.
- Match a portion of employees' 401(k) contributions to be more competitive with local governments and other Southeastern states (such as neighboring states Georgia and Virginia).
- In order to better utilize state retiree talents and skills, reduce waiting period for return to part-time employment from 6 months to 30 days.
- Centralize coordination of post-tax supplemental benefits and consolidate supplemental benefit plan offerings in a menu approach for portability and cost savings. Allow employees to select plan products that meet their needs.
- Increase the number of Holidays by one day in years where eleven are granted so that twelve are consistently granted every year. In order to be more competitive with Southeastern states, increase the number of sick days accrued each year from 12 to 14.

## TOTAL COMPENSATION

Total compensation measures an employee's base salary, benefits and other perquisites that the employer provides. It is important for employees to be knowledgeable of the value of their employment in terms of base pay, benefits, and other pay-related assets. When analyzing compensation surveys, base pay is often the common denominator in developing a comparative standard by which we can determine whether or not North Carolina state government compensation is competitive in various labor markets.

Employee benefits are key ingredients in a total compensation package. A competitive benefits package is a primary attractor in the recruitment of prospective employees, particularly in difficult-to-recruit occupations. Benefits are equally critical in the retention of high performing employees. Benefits as a percentage of average base pay are depicted in the chart below.

### Total Compensation Model

Table 1: **BENEFITS AS A PERCENTAGE OF AVERAGE SALARY & WAGES  
(CALCULATED AS OF 12-31-11)**

BENEFIT CATEGORY	PERCENTAGE OF AVERAGE SALARY	AVERAGE VALUE
Holidays	4.62%	\$1,937
Sick Leave	4.62%	\$1,937
Vacation Leave	7.69%	\$3,224
OASI – DI [Social Security]	7.65%	\$3,207
Retirement & Disability <ul style="list-style-type: none"> <li>• Retirement Systems Pension Fund 4.93%</li> <li>• Death Benefit Trust Fund .16%</li> <li>• Retiree Health Plan Reserve 4.90%</li> <li>• Disability Income Plan .52%</li> </ul>	13.12%	\$5,501
Health Insurance	12.38%	\$5,192
Longevity Pay	1.50%	\$629
<b>Total Benefit Value</b>	<b>51.58%</b>	<b>\$21,627</b>
<b>In determining the <i>Percentage of Average Salary</i>, the average state employee's years of service are 11.0 years and average state employee salary is \$41,926. The total benefit value is added to employees' base pay to determine <i>Total Compensation</i>.</b>		
	<b>Average Base Pay</b>	<b>\$41,926</b>
	<b>Average Benefit Value</b>	<b>\$21,627</b>
	<b>Average Total Compensation</b>	<b>\$63,553</b>

Sources: Office of State Personnel, State Health Plan, Office of State Budget and Management and the NC Retirement Systems Division

Once Average Total Compensation is derived, Salary and Benefits can in turn be calculated as a *Percentage of Total Compensation*. This allows for comparisons to be made between N.C.'s Average Percentage of Total Compensation and national trends. Analysis indicates that North

Carolina’s salary and wages generally do not make up as large a portion of total compensation as is seen nationally, while N.C.’s paid time off and retirement benefits generally outpace national averages when expressed as a percentage of total compensation. Note that this analysis generally includes only annually budgeted compensation items; other “variable” compensation and benefits such as overtime pay, workers compensation and unemployment are not included.

**Table 2: SALARY AND BENEFITS AS A PERCENTAGE OF TOTAL COMPENSATION**

<b>BENEFIT CATEGORY</b>	<b>PRIVATE INDUSTRY PERCENTAGE OF TOTAL COMPENSATION</b>	<b>N.C. AVERAGE PERCENTAGE OF TOTAL COMPENSATION</b>	<b>CHANGE FROM 2011</b>
<b>Salary &amp; Wages</b>	<b>71.5%</b>	<b>66.9%</b>	<b>-1.5%</b>
<b>Paid Time Off</b>	<b>7.2%</b>	<b>11.3%</b>	<b>-0.3%</b>
<b>Health Insurance</b>	<b>8.7%</b>	<b>8.3%</b>	<b>+0.2%</b>
<b>Retirement</b>	<b>4.7%</b>	<b>8.3%</b>	<b>+1.6%</b>
<b>OASI-DI (Social Security)</b>	<b>8.0%</b>	<b>5.1%</b>	<b>-0.1%</b>

Sources: Office of State Personnel, Office of State Budget and Management and the NC Retirement Systems Div., U.S. DOL Bureau of Labor Statistics “Employer Costs for Employee Compensation – December 2011.”

Another perspective on N.C.’s total compensation package is to consider the average value of continued employment with the state, in the form of anticipated salary, pension and health insurance premium outlays. Using present-day values, average state employee data for 2011 and assuming 30 years of service with no changes in salary or premium costs (an unlikely trend, but difficult to project otherwise), the average value of continued employment – what the average employee can expect from this point forward with continued employment -- is **\$1.25 million**.

**Table 3: AVERAGE PRESENT-DAY VALUE OF CONTINUED EMPLOYMENT WITH THE STATE**

<b>ASSUMPTIONS</b>					
Current average state employee age					<b>46</b>
Current average state employee years of service					<b>11</b>
Assumed age upon hire					<b>34</b>
Projected retirement age (30 years service)					<b>64</b>
Current average state employee salary					<b>\$41,926</b>
Current average life expectancy					<b>78</b>
Current annual health care premium contribution					<b>\$5,192</b>
Current annual Medicare premium contribution (starting at age 65)					<b>\$4,035</b>
<b>Continued Career Compensation</b>	<b>Continued Longevity Compensation</b>	<b>Projected Pension Compensation</b>	<b>Career and Retirement Health Care Premiums</b>	<b>Medicare Health Care Premiums</b>	<b>AVERAGE PRESENT-DAY VALUE OF CONTINUED EMPLOYMENT</b>
\$754,668	\$23,479	\$320,482	\$98,648	\$52,455	<b>\$1,249,732</b>

Sources: Office of State Personnel, State Health Plan, Office of State Budget and the NC Retirement Systems Division

## Wage & Salary Trends

According to salary surveys conducted by national firms engaged in the practice of compensation planning and consultation, data collected for calendar year 2011 (budgeted) project base pay increase budgets shown in Table 4. Figures include merit, across-the-board, and cost-of-living pay increases.

Table 4: **PROJECTED & ACTUAL BASE PAY INCREASE BUDGETS**

<u>National Firm</u>	<u>2009 Actual</u>	<u>2010 Actual</u>	<u>2011 Actual</u>	<u>2012 Projected</u>
<b>William Mercer</b>	<b>2.1%</b>	<b>2.3%</b>	<b>2.7%</b>	<b>2.9%</b>

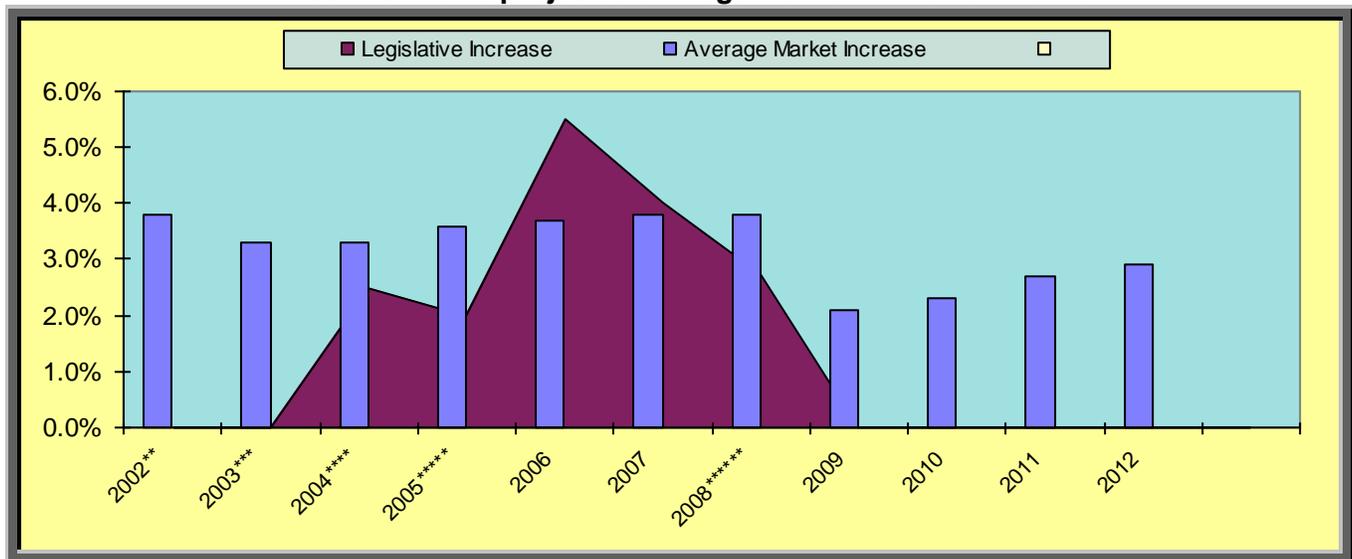
Note: The above are projected and actual base pay salary increase percentages of payroll.

Source: Mercer Human Resources Consulting 2011/2012 US Compensation Planning Survey

Projected and actual wage increases have remained fairly stable at the national level for the best part of the past decade in the 3.3%-3.8% percent range. However, with worsening economic conditions, actual wage increases declined by 1.7% in 2009. They have increased consistently in subsequent years, but are still not at historical levels.

In North Carolina, annual salary increases for state employees were less than average market movement in all but two of the last ten years (2006 and 2007), as displayed in Chart 1. Even when factoring in the above-market legislative increases in 2006 and 2007, salary increases in state government have still cumulatively trailed average market increases by 6.15% since 2006.

Chart 1: **NC Legislative Increases compared to actual average market movement 2002-2011 and projected average market movement for 2012**



Source: William Mercer, Incorporated

\*1.9% increase is based on a \$625 across the board payment divided by the 2001 average salary.

\*\*Ten days bonus leave granted in lieu of wage increase during 2002.

\*\*\*Ten days bonus leave plus \$550 non-base building bonus granted in lieu of permanent wage increase during 2003.

\*\*\*\*2.5% for employees with salaries over \$40K; \$1000 increase for employees with salaries below \$40K during 2004.

\*\*\*\*\*The greater of \$850 or 2% for 2005, plus 5 days bonus leave.

\*\*\*\*\*The greater of \$1100 or 2.75% for 2008

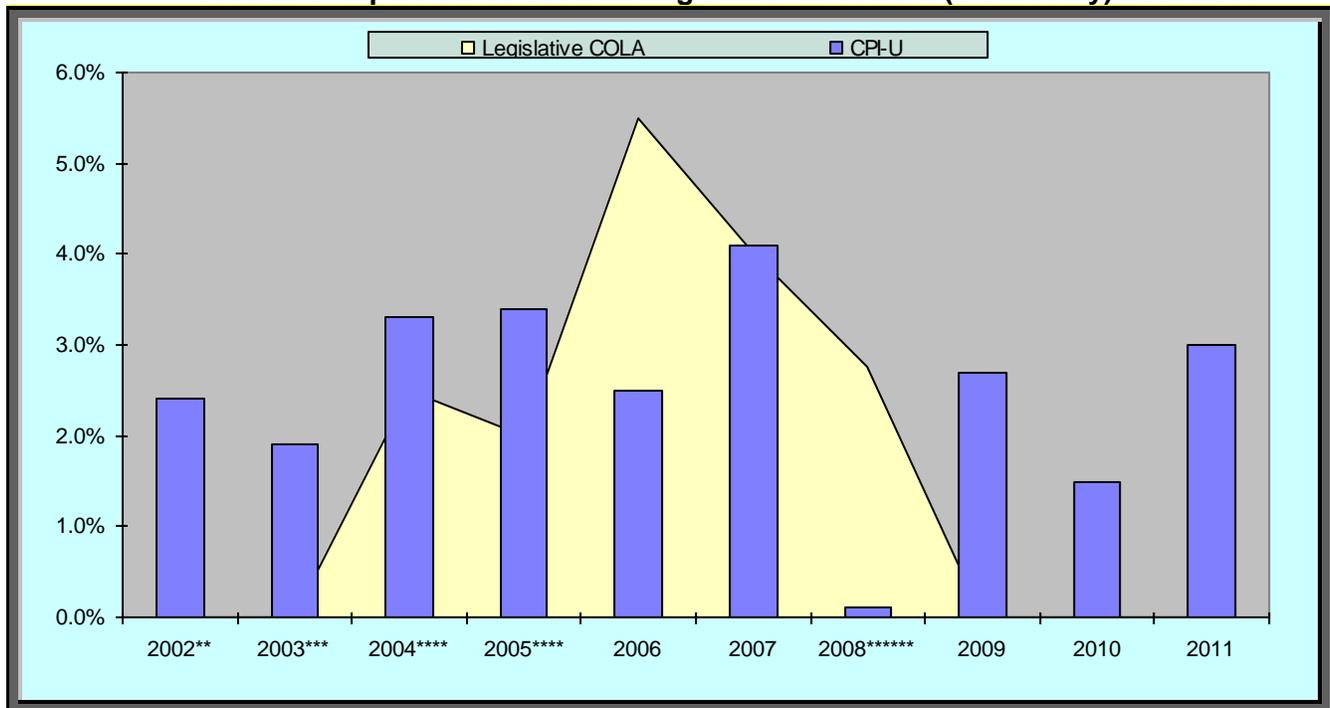
+ 2012 percentage is a market increase projection

## Consumer Price and Employment Cost Indices

In addition to general labor market movement, the increase in the Consumer Price Index-Urban (CPI-U) for the 12-month period ending in December 2011 was 3.0%. This percentage measures the average change over a specific period of time in the prices paid by urban consumers for goods and services. The CPI-U includes all urban consumers that are roughly 87% of the population in the United States. Since most pay increases for state employees have included a cost-of-living component, the following chart compares the Consumer Price Index-Urban for the years indicated with the percent increase for the cost-of-living portion of legislative increases for the same period. All rates are as of December 31 of the year. [A history of legislative increases for the period 1992-2011 is included in the Appendix of this report.]

The graphed data in Chart 3 indicate that the cost-of-living portion of annual legislative increases from 2002 to 2011 trails the CPI-U percentages for the same time period, with the obvious exception of 2006-2008. This differential reflects that compensation for state employees has historically not kept pace with the consumer price index. Over the past five years, the CPI-U has increased 11.4% while N.C. state employee pay has increased 6.75%, effectively eroding employee “buying power” by 4.65%.

**Chart 2: Comparison of CPI with Legislative Increases (COLA only) 2002-2011**



Source: US Department of Labor/Bureau of Labor Statistics & NC Office of State Personnel

\*1.9% increase is based on a \$625 across the board divided by the 2001 average salary.

\*\*Ten days bonus vacation granted in lieu of base pay increase during 2002.

\*\*\* Ten days bonus vacation, plus \$550 one-time bonus, granted in lieu of base pay increase for 2003.

\*\*\*\*2.5% for employees with salaries over \$40K; \$1000 increase for employees with salaries below \$40K during 2004.

\*\*\*\*\*The greater of \$850 or 2% for 2005, plus 5 days bonus vacation.

\*\*\*\*\*The greater of \$1100 or 2.75% for 2008

## **Recruitment & Retention**

### ***Turnover Rates and Cost***

The cost of turnover is difficult to measure but is very important for organizations to understand. The cost to an organization for each position turnover has been estimated by experts at anywhere from 50% to 250% of the departing employee's annual salary depending on the type of position being filled and the performance level of the departing employee. The Human Capital Institute places the average value of turnover at 150% though it must be stressed that turnover of top performers may be valued at an exponentially higher rate (though it would be inaccurate to assign a higher value given the artificial preponderance of "Very Good and "Outstanding" ratings in our current performance management system). There are many factors included in estimating the cost of turnover. Some obvious costs include advertising the vacancy; salaries of employment screening panels; and managers' time spent interviewing candidates. Other costs are not so easily quantified such as lost productivity – particularly during the time that a position is left vacant during recruitment -- or lost knowledge from the organization. Other costs include required onboarding, training, and higher rates of mistakes made by new hires. Though the costs may be hard to quantify, they are clearly considerable and should be monitored. The high cost of turnover presents a clear argument for agencies and universities to engage in rigorous workforce and succession planning.

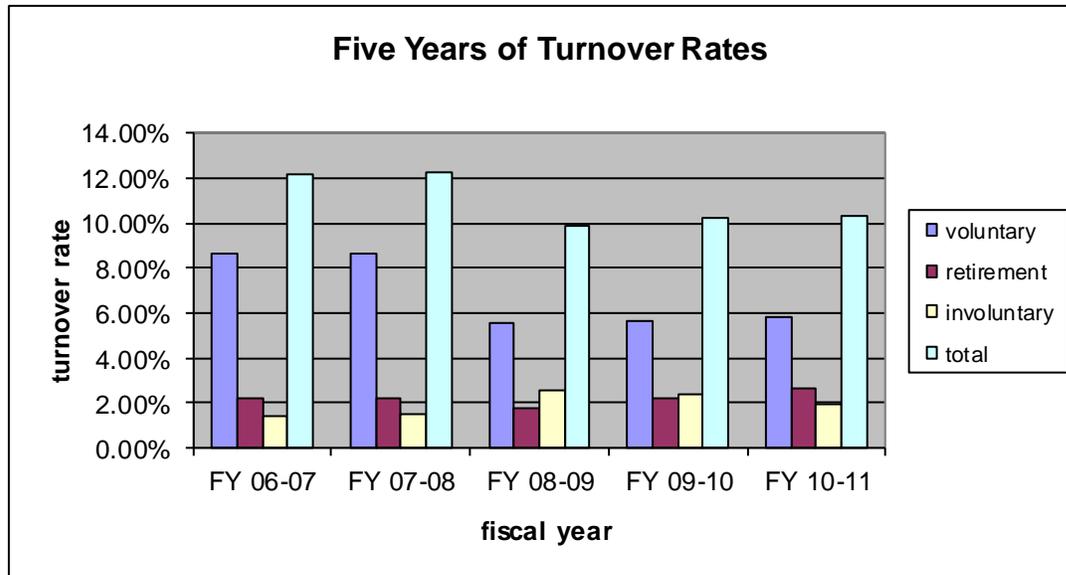
Turnover is a measure of employee separations from an agency or university most often expressed as turnover rate. Two types of turnover are tracked: Total Turnover and Voluntary Turnover. Total turnover includes all separations for any reason. The total turnover rate is calculated by dividing the number of separations by the total number of employees at the beginning of a fiscal year. Voluntary turnover includes separations for reasons that the employee has control of such as resigning to take a job with another employer. Voluntary turnover rate is calculated by dividing the number of voluntary separations by the total number of employees at the beginning of the fiscal year.

**Table 5: FIVE YEARS OF TURNOVER RATES – STATE OF NORTH CAROLINA**

	<b>FY 2006-2007</b>	<b>FY 2007-2008</b>	<b>FY 2008-2009</b>	<b>FY 2009-2010</b>	<b>FY 2010-2011</b>
Voluntary T/O	8.6%	8.6% *	5.6% *	5.6% *	5.8%*
Retirement T/O	2.2%	2.2% *	1.8% *	2.2% *	2.6%*
Involuntary T/O	1.4%	1.5% *	2.6% *	2.4% *	1.9%*
Total T/O	12.2%	12.3% *	9.9% *	10.2% *	10.3%

\* NOTE: The continued transitioning of positions and employees from PMIS to the BEACON system in 2007 and 2008, along with the transitioning of many positions and employees to Career-banding – make the 2007-2009 data potentially questionable. Retirement turnover is also questionable for 2007-2011 because of inconsistent reporting in PMIS and BEACON. However, data appear to be relatively consistent with past years and economic trends.

Chart 3: Turnover

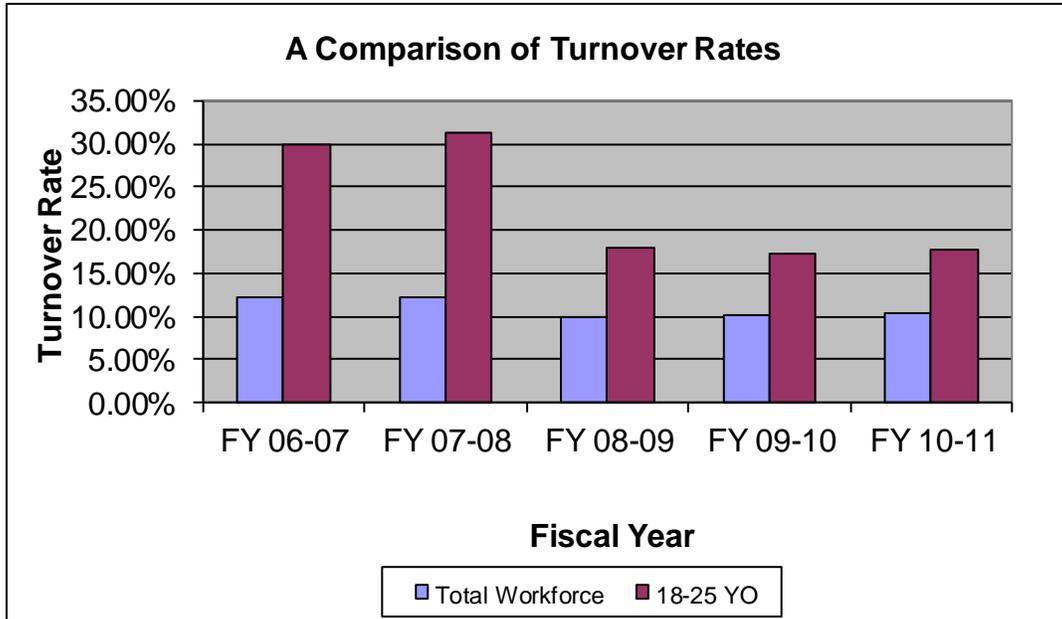


Source: PMIS and BEACON

Using the HCI turnover value of 150% cost of turnover, the cost to the state would be more than **\$323 million** (5.8% turnover of 88,534 state employees is approximately 5,135, multiplied by average state salary \$41,926, multiplied by 150%). This underscores the need to closely monitor turnover, strive for competitive salaries, and maintain a positive work environment with high employee engagement levels. Uncompetitive salaries, poor working conditions and low employee engagement exacerbate turnover and cost the state hundreds of millions of dollars.

While the retirement rate has remained relatively steady in recent years, it is widely recognized that the “baby boomer” generation will be leaving the workforce at a more accelerated rate in the next 3 to 10 years. This is especially critical given that the state consistently has trouble attracting and retaining younger employees entering the workforce. Turnover rates among 18-25 year old workers is traditionally higher than the overall turnover rates for state government years though this trend lessened in 2008-2009, likely because of the economic downturn.

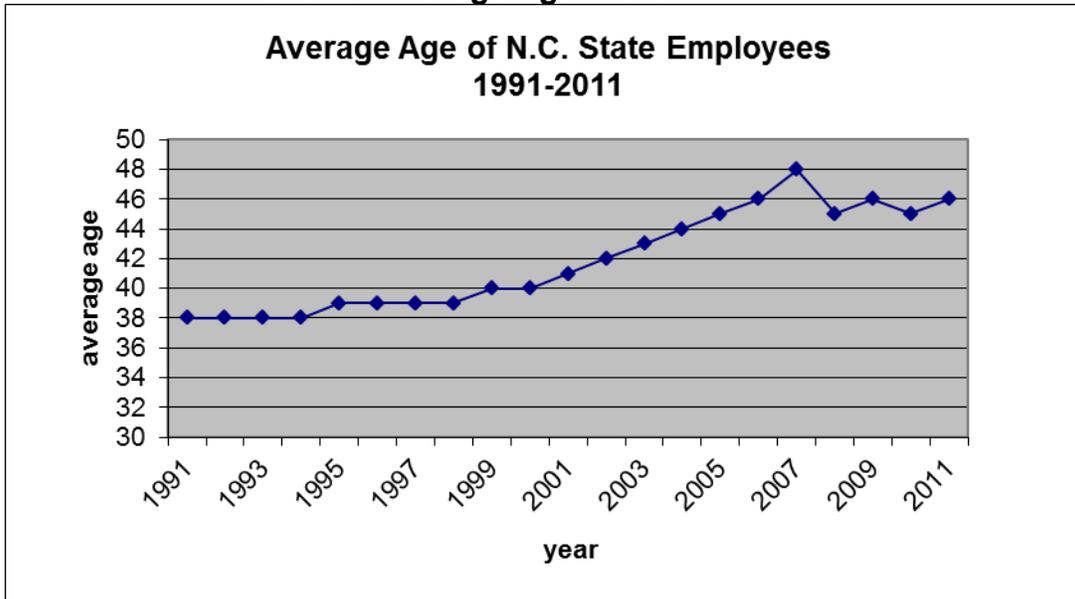
Chart 4: Turnover Comparison



source: PMIS and BEACON

Meanwhile, the average age of N.C. state employees has generally increased over the past two decades – though holding steady at around 45-46 for the past few years -- further illustrating the impending aging workforce issues.

Chart 5: Average Age Trend



source: PMIS and BEACON

## **BENEFITS**

### ***Paid Time Off Analysis***

Paid time off referred to here is employees' time off for which they continue to receive pay. Categories of Paid Time Off include Vacation Leave, Sick Leave, and Holiday pay. The contiguous states of South Carolina, Tennessee and Virginia report similar responses to the figure shown for the southeastern states, and so, were not reflected separately. Recommendations follow.

#### ***Vacation***

Southeastern states average 13.77 days of vacation leave based on 1-5 years of service. Similar to North Carolina the average accrual rate progressively increases to reflect the concurrent increases in years of service.

Table 6: **VACATION LEAVE**

<b>Years of State Service</b>	<b>North Carolina</b>	<b>SE States</b>	<b>Differential in Days</b>
0 but less than 5 years	14.00	13.77	Negligible
5 but less than 10 years	17.00	16.81	Negligible
10 but less than 15 years	20.00	19.92	Negligible
15 but less than 20 years	23.00	22.27	+0.73
20 but less than 25 years	26.00	24.00	+2.00
25 years or greater	26.00	24.40	+1.60

2009 Southeastern States Benefits and Pay Practices Survey (last date of publication)

#### ***Sick Leave***

Southeastern states grant an average of 13.77 days per year sick leave for employees with up to 3 years of service. North Carolina is below the average for all southeastern states at 12 days per year of employee sick leave.

Table 7: **SICK LEAVE**

<b>Sick Leave</b>	<b>North Carolina</b>	<b>SE States</b>	<b>Differential</b>
Accrual	12 Days	13.77 Days	-1.77 Days

2009 Southeastern States Benefits and Pay Practices Survey (last date of publication)

#### ***Holidays***

North Carolina is competitive with the other southeastern states in recognized holidays. The total average for all southeastern states in the survey was 11.39 holidays. That is slightly greater than the 11 holidays normally granted state employees in North Carolina (note that the NC number varies year to year depending on whether 2 or 3 holiday days are granted around Christmas).

Table 8: **HOLIDAYS**

<b>Holiday Leave</b>	<b>North Carolina</b>	<b>Southeastern States</b>
Days per Year	11	11.58

2009 Southeastern States Benefits and Pay Practices Survey (last date of publication)

**Health Insurance**

The information below is used to compare North Carolina’s current standard PPO plan to other organizations.

**Comparison to Southeastern States**

10 of 14 southeastern states subsidize their employees' dependent care coverage. Only North Carolina, Alabama, Kentucky and Mississippi do not subsidize dependent care coverage. Amounts subsidized varied greatly by state and type of health plan employees selected. North Carolina contributes \$411 per month for Employee Only coverage but zero additional allowance is made for Dependent (Family) coverage.

**Table 9: SURVEY OF HEALTH INSURANCE COVERAGE FOR DEPENDENT CARE AND CHOICE OF PLAN**

Survey Participants	Percent that Subsidizes Dependent Coverage
Southeastern States	71%

Source: 2009 Southeastern States Benefits and Pay Practices Survey (last date of publication)

**Comparison to Local Government Practices**

In surveys, local governments report on choice of health plan, deductibles and employee and agency cost. The comparative results suggest that N.C. compares favorably in normal deductible and co-pay amounts but unfavorably in average annual premium amounts paid by the employee and employer, lagging N.C. counties and municipalities by 33-35%.

**Table 10: SURVEY OF LOCAL GOVERNMENT’S HEALTH INSURANCE PRACTICES**

Type of Agency	Normal Deductible (if flat \$ amount reported)	Normal Co-pay (if flat \$ amount reported)	Average Annual Amount Employee Pays	Average Annual Amount Agency Pays
Municipalities	\$1,114	no data	\$159	\$6,583
Counties	\$814	\$23	\$165	\$6,147
<b>State of North Carolina</b>	<b>\$700</b>	<b>\$30</b>	<b>\$259</b>	<b>\$4,931</b>

The above information applies to employee only coverage; NC data applies to the standard PPO plan. Source: North Carolina League of Municipalities 2010 Survey of Municipal Fringe Benefits (biannual report) and County Salaries in North Carolina 2011

## ***Statewide Flexible Benefits Program (NC Flex)***

Currently there are over 243,000 participants, from the agencies, universities, and community colleges who have taken advantage of the pre-tax savings offered by the this program administered by the Office of State Personnel. Employees enroll into the program through BEACON and NCFlexonline web enrollment systems.

The State's Flexible Benefits Program now includes the following pre-tax plans:

- Health Care Flexible Spending Account allows for a pre-tax payroll deduction to place money in an account to pay for eligible health and dental care expenses not covered by insurance (note: employees may opt to use a Debit Convenience Card for eligible Spending Account expenses)
- Dependent Day Care Flexible Spending Account allows for a pre-tax payroll deduction to place money in an account to pay for day care expenses.
- Dental Plan has two options available, High Option and Low Option. Depending on the plan chosen, these options cover expenses for preventive, basic, major, and orthodontia.
- Vision Care Plan has three options, Plan 1, Plan 2 and Plan 3. Depending on the plan option chosen, these plans cover eye exams and materials such as eyeglass lenses, frames, and contact lenses. Plan 3 offers enhanced exam and materials benefits.
- Voluntary Accidental Death & Dismemberment Insurance pays a benefit if a loss is suffered as the result of a covered accident, as well as a disabling injury. Starting in 2009, \$10,000 of core AD&D coverage was provided at no cost to employees.
- Voluntary Group Term Life Insurance provides new employees the option to purchase up to \$100,000 of term life insurance without providing evidence of insurability, when first eligible. Employees may elect coverage in increments of \$10,000, with a minimum of \$20,000 and a maximum of \$500,000, not to exceed five times the base annual earnings.
- Cancer Insurance offers two plan options, High Option and Low Option, depending on the desired coverage and benefit paid. This plan also provides benefits for 29 other specified diseases, such as Muscular Dystrophy, Multiple Sclerosis, Tuberculosis, Sickle Cell Anemia and Cystic Fibrosis. Upon initial enrollment for new hires, no evidence of insurability is required. In 2011, a new Wellness Screening option was added to premium and high options.
- Critical Illness coverage provides optional benefit coverage for certain cancer, heart-related and other serious health conditions.

## ***Retirement***

The percent factor used by southeastern states to calculate retirement benefits ranges from 1.6% to 2.5% times Average Final Compensation. North Carolina's factor used to calculate pension benefits is 1.82%. Six southeastern states (Alabama, Georgia, Kentucky, Louisiana, Oklahoma and West Virginia) have a factor that is higher than North Carolina's.

In North Carolina, the 2010-2011 employer contribution on behalf of employees in the Teachers & State Employees Retirement System (TSERS) is 10.51%. This includes contributions to the retirement systems pension fund, death benefit trust fund, retiree health plan reserve and disability income plan. The state's contribution to the pension fund only is currently 7.44%.

## Supplemental Retirement Programs

Besides the traditional retirement program, the State offers voluntary supplemental retirement programs (**a 401(k) plan, a 457(b) plan and a 403(b) plan.**) North Carolina does not match employee contributions. According to Mercer Consulting, 78% of public and private organizations offer an employer match that averages 4% of an employee's pay. The key driver in determining the value of a Deferred Contribution plan is the amount of an employer's contributions.

The following are the results reported for North Carolina County governments. A review of the past three years reveal that more than half of North Carolina's 100 counties have consistently made matching 401(k) contributions. Last year, 51% of 86 reporting counties offered an employer match or contribution averaging 1.9%. North Carolina State Government provides no contribution to 401(k) except for law enforcement employees. Clearly, the State of North Carolina is behind market by not offering a match, which greatly affects the State's perception as being an employer of choice.

Table 11: **FIVE-YEAR COMPARISON OF COUNTY GOVERNMENT 401(K) PLANS**

Program Plan	Counties Contributing to 401(k) Programs 2007*	Counties Contributing to 401(k) Programs 2008*	Counties Contributing to 401(k) Programs 2009*	Counties Contributing to 401(k) Programs 2010*	Counties Contributing to 401(k) Programs 2011*
NC County 401(k) Contributions	67%	62%	72%	63%	51%

Source: County Survey 2011 (MAPS Group) – \*only counties reporting data were used in calculation

About 85% of municipalities have 401(k) programs. Of these, 78% make a contribution to the program. For those counties contributing to 401(k) programs, the average contribution is 4.3% of salary. The most common contribution for both counties and municipalities is 5%.

Source: North Carolina League of Municipalities 2010 Survey of Municipal Fringe Benefits (biannual report), County Survey 2011 (MAPS Group)

Half (50%) of the southeastern states provide a match to either their 457(b) Deferred Compensation plan or 401(k) supplemental retirement programs.

Table 12: **NUMBER OF SOUTHEASTERN STATES CONTRIBUTING FOR EMPLOYEES**

Program Plan	# of States that contribute
457(b) Deferred Compensation	5
401(k) Supplemental Retirement	2
Both 457(b) and 401(k)	0

2009 Southeastern States Benefits and Pay Practices Survey (last date of publication)

**Appendix: History of Legislative Increases for NC State Employees  
1992 - 2010**

<b>Year</b>	<b>Cost-of-Living Increase</b>	<b>Career Growth Increase</b>	<b>Bonus Increase</b>
1992	\$522	0	0
1993	2%	0	1% bonus
1994	4%	0	1% bonus
1995	2%	0	0
1996	2.5%	2%	0
1997	2%	2%	0
1998	1%	2%	1% performance bonus
1999	1%	2%	\$125 performance bonus
2000	2.2%	2%	\$500 bonus
2001	\$625	0	0
2002	0	0	10 days bonus leave
2003	0	0	\$550 bonus plus 10 days bonus leave
2004	2.5% for salaries over \$40K; or \$1000 / yr for salaries under \$40K	0	0
2005	the greater of \$850 or 2.0%	0	5 days bonus leave
2006	5.5%	0	0
2007	4.0%	0	0
2008	the greater of \$1100 or 2.75%	0	0
<b>2009</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2010</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>2011</b>	<b>0</b>	<b>0</b>	<b>0</b>