

2004 CLASSIFIED SERVICE COMPENSATION REPORT

The seal of the State of New Mexico is a large, circular emblem in the background. It features a central figure of an eagle with its wings spread, perched on a cactus. The eagle is facing left. Below the eagle is a banner with the Latin motto "CRESCIT EUNDO". The outer ring of the seal contains the text "SEAL OF THE STATE OF NEW MEXICO" at the top and "GREAT STATE OF NEW MEXICO" at the bottom, with the year "1912" and two stars in the center of the bottom arc.

**State of New Mexico
State Personnel Board**

**Sandra K. Perez
State Personnel Director
December 1, 2004**

Bill Richardson

Governor

JoAnne Vigil-Quintana

Vice-Chair

Jerry Manzagol

Member

Karen Sanchez-Griego

Member

Mary Lou Cameron

Member

Phil Ewing

Member

Sandra K. Perez

Director

Evangeline Tinajero

Deputy Director

Gary Giron

Deputy Director

Dianna DeJarnette

(Acting) Human Resource Operations Chief

Justin Najaka

Compensation Manager

Mabel Marquez

Compensation Analyst

Table of Contents

Table of Contents	1
The Personnel Act	2
<i>Executive Summary</i>	3
<hr/>	
Introduction	4
Compensation Philosophy	4
National Trends	5
System Maintenance	6
<i>Total Compensation</i>	7
<hr/>	
Total Compensation	8
Insurance Changes Related to Total Compensation	9
Sample Total Compensation Calculation	11
Central States Regional Total Compensation Analysis Table	12
<i>Salary Survey</i>	13
<hr/>	
Background	14
Maintaining External Competitiveness	14
Salary Survey	15
Comparative Market Movement and Structure Adjustments	16
<i>Pay Administration</i>	18
<hr/>	
Pay Administration	19
<i>List of Benchmark Survey Classes</i>	22
<hr/>	

The Personnel Act

(NMSA 1978, §§ 10-9-1)

The Personnel Act was enacted by the New Mexico Legislature in 1961. Its purpose was to establish for New Mexico a system of personnel administration based solely on qualification and ability, which would provide greater economy and efficiency in the management of state agencies. This Act established the merit system we know today and was made applicable to all of the classified agencies.

The Act created the State Personnel Board (Board), which is a five-member board appointed by the Governor and confirmed by the Senate. They are appointed for five-year staggered terms. One of the responsibilities of the Board is to select, with approval of the Governor, a Director for the State Personnel Office. Another major responsibility is to promulgate rules and regulations to implement the Personnel Act.

The State Personnel Board Rule *Subsection E of 1.7.4.8 NMAC* requires the Board to adopt and submit recommendations on the classified pay system to the Governor and the Legislative Finance Committee by the end of each calendar year. This shall serve as the official report.

EXECUTIVE SUMMARY

2004 Compensation Report

Introduction

The State of New Mexico's compensation system continues to evolve into a model of innovation. However, the challenge of innovation is coupled with the need to have a compensation system with a solid foundation. The national trend in both public and private sector compensation is to simplify the system and make it more usable by employees and managers

The State of New Mexico's compensation system is based on a solid foundation built on the recommendations of the Act on Compensation Equity (ACE) project in 1989. To assist in the refinement of the system the State Personnel Board has retained the services of Hay Management Consultants (HayGroup) annually since 1989. The recommendations being presented in this report are an integral part of the work in progress.

Compensation Philosophy

The State of New Mexico's compensation philosophy as stated in the existing Classified Service Pay Plan reads as follows:

“The Compensation System (salary and benefits) for classified state government employees will be structured to support the mission of State Government and be consistent with State statutes to provide, “a high-level of responsive service in meeting the needs of its citizens.” The foundation of this structure is to reward employees for their specific contributions to the achievement of organizational goals and objectives. Fiscal responsibility requires that this approach be administered in a consistent manner throughout the State's classified service based on its financial capabilities.”

This philosophy is based on sound compensation objectives found in most successful organizations. Those objectives are: to **attract** qualified applicants, to **retain** those employees, to **motivate** employees and to **reward** them for their specific contributions to the achievement of organizational goals and objectives.

The focus for fiscal year 2006 is to support the existing compensation philosophy. The philosophy expresses that the ability to **attract** and **retain** the quality and quantity of employees necessary to accomplish the mission of state agencies is contingent on the success of maintaining a competitive salary structure and a pay plan that “will **reward** employees for their specific contributions to the achievement of organizational goals and objectives”.

National Trends

Our research indicates that on average most organizations are planning on adjusting their salary structures in 2005 by approximately 2.5% (ranging from 1.6% - 3.2%) and providing merit increases of approximately 3.0%. Survey sources indicate that organizations as a whole across all industries plan on providing increases between 3.3% - 3.5% and that public sector, tax-based systems on average intend to provide smaller increases ranging from 1.6% - 2.7%. WorldatWork data supports this estimate indicating an average 2.0% general increase for the Public Administration sector. New Mexico survey respondents on average plan to adjust salary structures by 2.2% and provide average salary increases of 2.8%. This estimate is less than the 2004 CPI-U of 2.5%.

Industry Trends and Related Data Sources

<i>Data Source</i>	<i>Structure</i>	<i>Salary Increase</i>
<i>CSCA</i>	<i>1.6%</i>	<i>1.6%</i>
<i>New Mexico Employers</i>	<i>2.2%</i>	<i>2.8%</i>
<i>Hay Group*</i>	<i>2.7% - 3.0%</i>	<i>3.5%</i>
<i>Mercer</i>	<i>--</i>	<i>3.5%</i>
<i>Watson Wyatt</i>	<i>--</i>	<i>3.4%</i>
<i>Hewitt Associates</i>	<i>--</i>	<i>3.3%</i>
<i>CompData</i>	<i>3.2%</i>	<i>3.3%</i>
<i>World@Work</i>	<i>2.0%</i>	<i>3.3%</i>
<i>Social Security Administration</i>	<i>--</i>	<i>2.7%</i>
<i>Federal Government - OPM</i>	<i>2.7%</i>	<i>2.7%</i>

**Hay Structure data interpolated from statements on HayGroup website.*

Benefit costs continue to rise. The Segal company expects the double-digit trends that have existed for the past five years to continue for at least the next year. The rates for all managed care plans (excluding prescription drug benefits) range from a low of 11.8% for HMO's to a high of 13.1% for high-deductible PPO's. Prescription drug plan rates are expected to increase by approximately 15%. Data from the major human resource consulting firms (HayGroup, Hewitt, Mercer, etc.) support these projected trends.

The recovering economy and growing job market are challenging employers to focus once again on attracting and retaining talent. These employers compete directly with the State of New Mexico for available talent. Employers are not solely focused on "buying" the right talent, but there is an increased emphasis on building talent from within and taking a long-term approach to growing businesses. Employers are looking more holistically at the overall reward package offered to employees and trying to find the right balance of pay, benefits, work-life experience, and careers "Total Compensation". Research shows that employees are emphasizing the importance of career development and advancement in their decision of whether to join or stay with an organization.

System Maintenance

Cost for In-Range Salary Adjustments for a Full Fiscal Year:

Percent Increase	Full Cost	General Fund (54%)
1.0%	\$ 8,165,238	\$ 4,409,229
1.5%	\$12,247,858	\$ 6,613,843
2.0%	\$16,330,477	\$ 8,818,457
2.5%	\$20,413,096	\$11,023,072
3.0%	\$24,495,715	\$13,227,686
3.5%	\$28,578,334	\$15,432,300

Note: Estimates Include Benefits

THESE COST PROJECTIONS INCLUDES ONLY FILLED, NON-TEMPORARY POSITIONS WHICH REMAIN FAIRLY CONSTANT FROM FISCAL YEAR TO FISCAL YEAR. VACANCY SAVINGS ARE ALREADY INCLUDED IN THESE ESTIMATES.

The State Personnel Office continues to hear many pay related comments from employees, managers, human resource professionals, etc. These comments can be condensed into three key statements:

- Have salary increases be at least enough to cover the annual increase in the cost of living.
- Have salary increases be at least enough to cover the increased cost of insurance benefits so the employee has at least as much purchasing power as they had before insurance premiums are increased.
- Have the salary structure adjusted annually to keep pace with the external salary market.

TOTAL COMPENSATION

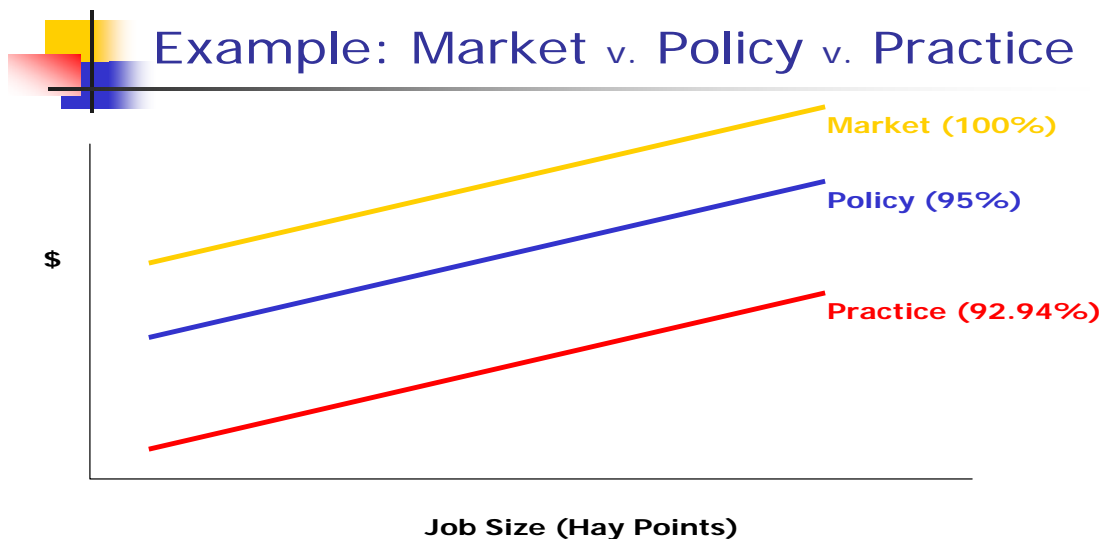
2004 Compensation Report

Total Compensation

Studies conducted by WorldatWork (Formerly the American Compensation Association), the Employee Benefit Research Institute, the Society for Human Resource Management, International Personnel Management Association, National Association of State Personnel Executives, HayGroup, Towers Perrin, Watson Wyatt Worldwide, and numerous other organizations reveal that employer-provided employee benefits remain a very important part of the total rewards package in attracting and retaining workers.

Total compensation can be defined as *“The complete reward/recognition package for employees, including all forms of money, benefits, perquisites, services and in-kind payments.”* The State of New Mexico provides a competitive employee benefit package that includes: employer-paid medical insurance contributions, pension (retirement) contributions, paid leave allowances for vacation days, sick days and paid holidays. Additionally, state employees can take advantage of a Section 457, Deferred Compensation Plan that allows for contributions to a tax-deferred savings program which can be used to supplement their retirement plan.

The existing Policy Line, which targets classified pay as a percentage of the Market Line, applies the total compensation approach. The Policy Line is considered to be competitive particularly in light of the competitiveness of the employee benefit package. The results of the HayGroup Employee Benefits Review conducted in 2000 rank the State of New Mexico benefits package as median or slightly above the benefit package of the comparator market. The State Personnel Office participates in an annual benefit survey that has confirmed this trend.



The tables and charts on the next several pages detail total compensation and display how New Mexico compares to states in the Central States Compensation Association. These items were chosen for the total compensation analysis to be fairly consistent with the methodology used in the survey. Life and disability insurance are combined in New Mexico. The table entitled Central States Regional Total Compensation Analysis (Classified Only) includes only the monthly cost of life insurance. Arguably there are many ways to calculate total compensation; a separate analysis could include the State's contribution at 1.3% of gross, Educational Reimbursements, Voting Leave, etc. The methodology the State Personnel Office has chosen uses factors that are common to our comparable states.

New Mexico ranks 13 out of 25 states in terms of Total Compensation. Please note that data in this table may not be exactly perfect as it is only as good as what is provided to us by the participating states. The State Personnel Office continues to work with other states to understand their plans and ensure a consistent baseline for reporting and comparing this type of benefit information.

Insurance Changes Related to Total Compensation

Effective July 1, 2004, Laws 1941, Chapter 188, Section 1, was amended to change the four-tier insurance contribution brackets to a three-tier system. This law also provided for a subsequent employer contribution change effective July 1, 2005. By July, 2005, employees earning under \$50,000 annually will only pay 20% of their insurance premium; the state did not match this contribution level prior to July, 2004. Until July, 2004, only employees earning between \$15,000 and \$20,000 annually paid 30% of their insurance premium. Effective July, 2005, employees earning between \$50,000 and \$60,000 will pay 30% of their insurance premium. Effective July, 2005, only employees who earn more than \$60,000 annually will have to pay a maximum of 40% of their insurance premium compared to those earning over \$25,000 prior to July, 2004. As of July 1, 2004, approximately 74% of classified, non-temporary employees earned over \$25,000 annually and paid the highest employee match of 40%.

Prior to July 2004			Effective July 2004			Effective July 2005		
	State	Employee		State	Employee		State	Employee
< \$15,000	75%	25%	< \$15,000	80%	20%	< \$15,000	80%	20%
\$15 – 20K	70%	30%	\$15 – 20K	80%	20%	\$15 – 20K	80%	20%
\$20 – 25K	65%	35%	\$20 – 25K					
\$25 – 30K	60%	40%	\$25 – 30K					
\$30 – 35K			\$30 – 35K					
\$35 – 40K			\$35 – 40K	70%	30%	\$35 – 40K	70%	30%
\$40 – 45K			\$40 – 45K	60%	40%	\$40 – 45K		
\$45 – 50K			\$45 – 50K					
\$50 – 55K			\$50 – 55K					
\$55 – 60K			\$55 – 60K			\$55 – 60K		
> \$60,000			> \$60,000			> \$60,000	60%	40%

Effective July 1, 2004, an additional \$2 million was appropriated to agencies to cover the increased state cost of employee health premiums. This amount helped offset the cost to the state of contributing a higher amount toward employee's health costs premiums. Differences in employee health premium costs to both the state and the employee are listed below. This representative example is based on a single employee who chooses Presbyterian Medical Insurance, United Concordia – Comprehensive Dental, Life and Disability, and Vision Insurance.

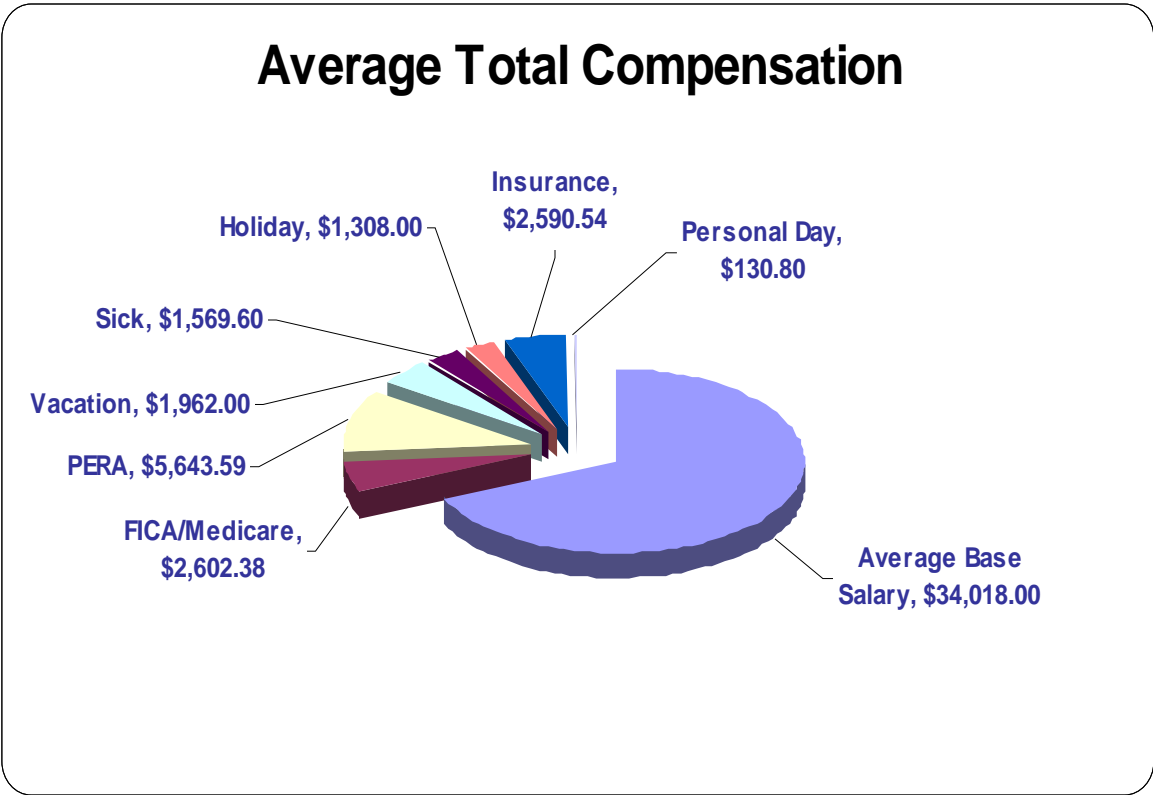
	Prior to July 2004		Effective July 2004		Difference	
	State	Employee	State	Employee	State	Employee
\$14,000	\$2,703.74	\$901.16	\$3,109.60	\$777.40	+ 15.0%	- 13.7%
\$24,000	\$2,343.12	\$1,261.78	\$3,109.60	\$777.40	+ 32.7%	- 38.4%
\$34,000	\$2,162.94	\$1,441.96	\$2,720.90	\$1,166.10	+ 25.8%	- 19.1%
\$44,000	\$2,162.94	\$1,441.96	\$2,332.20	\$1,554.80	+ 7.8%	+ 7.8%
\$54,000	\$2,162.94	\$1,441.96	\$2,332.20	\$1,554.80	+ 7.8%	+ 7.8%

The average employee earned \$34,018 as of July, 2004. As a result of the changes in the law and changes in the premium rates, the state contributed 25.8% *more* toward the employee's health care costs and the employee contributed 19.1% less. On an annual basis, the state contributed an amount "*equal to*" a 1.6% salary increase in addition to the 2.0% salary increase authorized by law. This average employee also contributed an amount "*equal to*" 0.8% less of their salary. These changes equated to a net salary increase of 2.4% of the employees annual pay.

The State Personnel Office has committed to working with the Risk Management Division of the General Services Department and the Public Employees Retirement Association to coordinate a consistent approach to Total Compensation. Preliminary discussions have taken place and the State Personnel Office looks forward to continuing participation in the future.

SAMPLE TOTAL COMPENSATION CALCULATION

Average Base Salary:	\$34,018.00
Employer Sponsored Benefits:	
FICA/Medicare (6.2%/1.45%)	+ \$ 2,602.38
PERA: 16.59%	+ \$ 5,643.59
Vacation: (120 hours per year)	+ \$ 1,962.00
Sick: (96 hours per year)	+ \$ 1,569.60
Holiday: (80 hours per year)	+ \$ 1,308.00
Insurance: (\$30,000 - \$40,000 *Single coverage)	+ \$ 2,590.54
Personal Day (8 hours per year)	+ \$ 130.80
	\$15,806.91
Total Benefits	\$15,806.91
Total Compensation (Salary + Benefits)	\$49,824.91



Central States Regional Total Compensation Analysis (Classified Only)

State	Average Salary	Vacation Hours	Sick Hours	Holiday Hours	Insurance				Retirement	Social Security	Total Benefit	% of Salary	Total Compensation
					Health	Dental	Vision	Life					
ARIZONA	\$31,454.00	120	96	80	\$356.56	\$15.40		\$0.26	5.20%	6.20%			
per hour	\$15.12	\$0.87	\$0.70	\$0.58	\$2.06	\$0.09		\$0.06	\$0.79	\$0.94	\$6.08	40.22%	\$21.20
ARKANSAS	\$30,774.00	144	96	96	\$373.76				10.00%	6.20%			
per hour	\$14.80	\$1.02	\$0.68	\$0.68	\$2.16				\$1.48	\$0.92	\$6.94	46.93%	\$21.74
COLORADO	\$45,425.00	120	80	80	\$156.06	\$16.26		\$0.14	10.15%				
per hour	\$21.84	\$1.26	\$0.84	\$0.84	\$0.90	\$0.09		\$0.03	\$2.22		\$6.18	28.31%	\$28.02
IDAHO	\$36,091.00	120	96	80	\$525.02	\$16.08		\$0.09	10.34%	6.20%			
per hour	\$17.35	\$1.00	\$0.80	\$0.67	\$3.03	\$0.09		\$0.02	\$1.79	\$1.08	\$8.48	48.88%	\$25.83
ILLINOIS	\$46,662.00	120	96	100	\$446.56	\$13.94	\$3.54	\$0.36	13.79%	6.20%			
per hour	\$22.43	\$1.29	\$1.04	\$1.08	\$2.58	\$0.08	\$0.02	\$0.08	\$3.09	\$1.39	\$10.65	47.49%	\$33.09
INDIANA	\$32,461.00	120	72	104	\$140.00	\$15.18	\$3.81	\$0.13	9.20%	6.20%			
per hour	\$15.61	\$0.90	\$0.54	\$0.78	\$0.81	\$0.09	\$0.02	\$0.03	\$1.44	\$0.97	\$5.57	35.70%	\$21.18
IOWA	\$45,545.00	120	144	88	\$430.72	\$20.19		\$0.23	5.75%	6.20%			
per hour	\$21.90	\$1.26	\$1.52	\$0.93	\$2.48	\$0.12		\$0.05	\$1.26	\$1.36	\$8.98	41.00%	\$30.87
KANSAS	\$32,139.00	120	96	80	\$307.48	\$21.72		\$0.42	4.87%	6.20%			
per hour	\$15.45	\$0.89	\$0.71	\$0.59	\$1.77	\$0.13		\$0.10	\$0.75	\$0.96	\$5.91	38.22%	\$21.36
LOUISIANA	\$34,402.00	144	144	80	\$335.34			\$0.46	17.10%				
per hour	\$16.54	\$1.15	\$1.15	\$0.64	\$1.93			\$0.11	\$2.83		\$7.80	47.13%	\$24.33
MICHIGAN	\$45,693.00	136	104	96	\$327.43	\$34.17	\$5.75	\$0.21	13.05%	6.20%			
per hour	\$21.97	\$1.44	\$1.10	\$1.01	\$1.89	\$0.20	\$0.03	\$0.05	\$2.87	\$1.36	\$9.95	45.27%	\$31.91
MINNESOTA	\$44,621.00	130	104	88	\$320.20	\$19.10			4.00%	6.20%			
per hour	\$21.45	\$1.34	\$1.07	\$0.91	\$1.85	\$0.11			\$0.86	\$1.33	\$7.47	34.82%	\$28.92
MISSOURI	\$29,477.00	120	120	96	\$342.00			\$0.49	10.64%				
per hour	\$14.17	\$0.82	\$0.82	\$0.65	\$1.97			\$0.11	\$1.51		\$5.88	41.52%	\$20.06
MONTANA	\$32,524.00	120	96	84	\$365.00	\$28.60		\$0.23	6.90%				
per hour	\$15.64	\$0.90	\$0.72	\$0.63	\$2.11	\$0.17		\$0.05	\$1.08		\$5.66	36.18%	\$21.29
NEBRASKA	\$33,877.00	120	112	96	\$241.40			\$0.14	6.75%	6.20%			
per hour	\$16.29	\$0.94	\$0.88	\$0.75	\$1.39			\$0.03	\$1.10	\$1.01	\$6.10	37.47%	\$22.39
NEVADA	\$43,550.00	120	120	88	\$448.68				9.75%				
per hour	\$20.94	\$1.21	\$1.21	\$0.89	\$2.59				\$2.04		\$7.93	37.88%	\$28.87
NEW MEXICO	\$34,018.00	96	96	80	\$195.13	\$7.27	\$4.01	\$0.10	16.59%	6.20%			
per hour	\$16.35	\$0.75	\$0.75	\$0.63	\$1.13	\$0.04	\$0.02	\$0.02	\$2.71	\$1.01	\$7.08	43.29%	\$23.43
NORTH DAKOTA	\$32,600.00	120	96	84	\$229.93			\$0.19	4.12%				
per hour	\$15.67	\$0.90	\$0.72	\$0.63	\$1.33			\$0.04	\$0.65		\$4.28	27.28%	\$19.95
OKLAHOMA	\$29,963.00	144	120	80	\$371.46			\$0.24	10.00%	6.20%			
per hour	\$14.41	\$1.00	\$0.83	\$0.55	\$2.14			\$0.06	\$1.44	\$0.89	\$6.91	48.00%	\$21.32
OREGON	\$39,324.00	120	96	80	\$387.14			\$0.20	9.52%				
per hour	\$18.91	\$1.09	\$0.87	\$0.73	\$2.23			\$0.05	\$1.80		\$7.16	37.46%	\$26.29
SOUTH DAKOTA	\$31,424.00	120	112	92	\$407.32			\$0.21	6.00%				
per hour	\$15.11	\$0.87	\$0.81	\$0.67	\$2.35			\$0.05	\$0.91		\$5.66	37.45%	\$20.76
TEXAS	\$32,565.00	80	96	120	\$315.56				6.00%	6.20%			
per hour	\$15.66	\$0.60	\$0.72	\$0.90	\$1.82				\$0.94	\$0.97	\$5.96	45.97%	\$21.61
UTAH	\$35,851.00	130.0	104	92	\$286.85	\$41.23		\$0.17	13.38%				
per hour	\$17.24	\$1.08	\$0.86	\$0.76	\$1.65	\$0.24		\$0.04	\$2.31		\$6.94	40.26%	\$24.18
WASHINGTON	\$43,774.00	120	96	88	\$401.96			\$0.29	1.38%	6.20%			
per hour	\$21.05	\$1.21	\$0.97	\$0.89	\$2.32			\$0.07	\$0.29	\$1.30			
WISCONSIN	\$39,110.00	120	130	108	Varies by Union Agreement			\$0.32	5.20%	6.20%			
per hour	\$18.80	\$1.08	\$1.18	\$0.98				\$0.07	\$0.98	\$1.17	\$5.45	29.00%	\$24.26
WYOMING	\$36,106.00	120	96	72	\$371.52	\$10.74		\$0.29	11.25%	6.20%			
per hour	\$17.36	\$1.00	\$0.80	\$0.60	\$2.14	\$0.06		\$0.07	\$1.95	\$1.08	\$7.70	44.39%	\$25.06
Average =	\$17.50	\$1.02	\$0.88	\$0.75	\$1.95	\$0.11	\$0.02	\$0.06	\$1.51	\$1.09	\$6.82	39.78%	\$24.18
		121	105	89	\$337.52	\$20.07	\$3.43	\$0.25	9.0%				

- NOTE:
- When variable rates or ranges were given for annual, sick or holidays, an average was used.
 - Average Salary: Classified salary was not reported by Indiana or Nebraska in Table 13, the Average Salary for Classified and Unclassified was used in this Table.
 - Health: Single coverage for highest utilized plan was used. (FY05 Presbyterian Single Coverage for New Mexico)
 - Dental: If included in medical plan or left blank in Table 24 it was left blank in this Table.
 - Vision: If included in medical plan or left blank in Table 25 it was left blank in this Table.
 - Life: Monthly premium rate for \$1,000 multiplied by 40 = \$40,000 coverage. If included in medical plan or left blank in Table 30 it was left blank in this Table.

Data Source: 2004 Central States Compensation Association Benefit Survey

SALARY SURVEY

2004 Compensation Report

Background

Since the 1990 joint Executive/Legislative Act on Compensation Equity (ACE) project, our commitment to the established compensation philosophy and its components has achieved credibility, competitiveness and admiration from the comparator states in our region.

The purpose of conducting an annual salary survey is to determine the competitiveness of our salary structure (Pay Bands and Pay Opportunities) and our current pay practice (actual pay) with the average pay of our comparative markets and to determine the competitiveness of our benefits (insurance, leave, etc.) to the markets. The State Personnel Office uses numerous key surveys to collect salary data as listed in the next section.

Maintaining External Competitiveness

The effectiveness of an organization's pay system can be measured by the extent to which pay is competitive with others in the market (for the same jobs). Our compensation philosophy has advocated an objective of maintaining external competitiveness.

It was determined that a more selective way to compare state classified salaries to market salaries was needed. An analysis of the marketplace was done to recognize where we are losing employees to and where we believed we were able to best attract potential employees. The results of this analysis allowed us to target specific markets for four separate levels of jobs, two representing the technical occupation groups and two manager survey groups. It was further determined that the marketplace could be divided into three groups: local; local and regional; and Central, Western and Southwestern states.

Market data was collected from several sources: Central States Compensation Association Survey, New Mexico Public Sector Salary Survey which includes Municipal and County Governments, State colleges and universities, public schools and national laboratories, New Mexico Department of Labor Occupational Wage Survey, which includes public and private employers, CompData 2004 Southwest Survey, AFT Public Employees Compensation Survey, and the Technology Net survey of municipal and county governments (formerly the New Mexico Municipal League Survey).

The purpose of these salary surveys is to determine the competitiveness of our salary structure with the average pay of our comparator market and to determine how New Mexico relates to the comparator market in terms of total compensation (salary and benefits).

A comprehensive benefits positioning was assessed in 2000 using methodology developed by Hay/Huggins, the HayGroup's actuarial and benefits consulting firm. The overall findings of the total benefit program value indicated that for 93.6% of the current workforce the benefit program is equal to the median practice of the comparator market. We anticipate that we will need to conduct a benefits survey every five years to keep information up to date. Our intentions are to partner with Hay/Huggins again in 2005.

Trend analysis based on economic and industry data and additional factors has been added to the information considered in making recommendations for salary structure adjustments. The primary sources of data include WorldatWork Total Salary Increase Budget Survey, Central States Compensation Association Survey, Consumer Price Index (CPI) and Employment Cost Index (ECI).

Salary Surveys

The benchmark classifications to be used as matches in the survey were selected based on the following criteria:

- They represent a large sample of state employees.
- They represent a variety of job occupations (clerical, trade, counseling, law enforcement, etc.).
- They represent a range of levels of job complexity (measured in job content points).

New Mexico Employers Salary Survey: The State Personnel Office conducts an annual salary survey of New Mexico Municipal and County Governments, State colleges and universities, public schools and national laboratories. A total of 199 classifications were surveyed. Unfortunately, we only received responses from 22 of the 55 surveys sent to medium-to-large private sector firms. Due to the low participation we increasingly have to depend on salary information from other sources.

Central States Compensation Association Salary Survey: The State Personnel Office participates in a comprehensive annual salary survey of benchmark job classifications sponsored by the Central States Compensation Association. The Association was established in 1984 for the purpose of improving the validity of job matches and accuracy of data in salary surveys among the states and reducing the number of individual surveys exchanged among the states on an annual basis. There are 25 State Governments who participate annually in this survey. New Mexico had job matches for 205 of the 222 benchmark classifications in the survey. Over 379,200 state workers are represented in this survey.

New Mexico Department of Labor Occupational Wage and Salary Survey: The 2004 survey consists of data from over 2,400 in-state private and public employers representing over 150,000 workers.

CompData Survey (Southwest Region): The 2004 survey contains 468 jobs in the states of Arizona, Nevada and New Mexico. A total of 177 organizations submitted data covering 67,244 employees.

Comparative Market Movement and Structure Adjustments

The State Personnel Office analyzes industry and economic data from several key sources: the annual Total Salary Increase Budget Survey conducted by WorldatWork; the annual Central States Compensation Association survey; the HayGroup, CompData Surveys Incorporated, the Consumer Price Index (CPI), the Employment Cost Index (ECI), and New Mexico Economic Data.

- ***WorldatWork Total Salary Increase Budget Survey:*** WorldatWork is a global, not-for-profit professional association of more than 26,000 compensation, benefits, and human resource professionals. Founded in 1955, WorldatWork is dedicated to knowledge leadership in compensation, benefits and total rewards disciplines associated with attracting, retaining, and motivating employees. For almost three decades, the Total Salary Increase Budget Survey has been relied upon as the foundation from which corporations and government agencies project their annual salary budget increases. Earning its reputation year after year, this report is known for being one of the longest running (31 years) and most comprehensive salary surveys and being the largest salary increase budget survey of its kind (2,774 participating organizations representing approximately 12,700,000 employees). In July 2004, projections for 2005 indicated participating organizations plan to adjust salary structures upward by an average 2.0% and provide average merit increases of approximately 3.7%. Survey results indicate that 87% of organizations provided a base salary increase in 2004. Increased focus on variable pay appears to be offsetting base salary increases, with approximately 77% of organizations offering some sort of variable pay this year (up from 75% last year). Supporting data may be found at www.worldatwork.org.
- ***Central States Compensation Association:*** Data from this association shows that median salaries in the survey benchmarks increased approximately 1.6% and average salaries increased 1.6%. Median salaries are a reliable indicator of how much salary structures have changed from the previous survey period. Average salary increases indicate the average (actual) increase in pay employees received. Typically average salary increases outpace median increases; however, they were the same this year.
- ***The HayGroup:*** Hay consultants are recommending clients adjust their salary structures by 2.7%-3.0% and provide average salary increases of approximately 3.5%. These figures are from the 2004 Hay Compensation Database including over 1,700 organizations representing over 3 million employees. Supporting data may be found at www.haygroup.com.
- ***CompData Survey (Southwest Region):*** The 2004 survey suggests that participating organizations plan to adjust salary structures by 3.2% and provide average salary increases of 3.3%.
- ***Federal Government – Office of Personnel Management:*** OPM has adjusted their schedule upward by 2.7% in federal fiscal year 2005.

- **Consumer Price Index (CPI):** The CPI is the most widely cited index number for a price level that may be used as an indicator of the cost of living compiled by the Bureau of Labor Statistics of the U.S. Department of Labor. It is an indicator of the changing purchasing power of the dollar. Specifically it measures the price changes of items in a fixed “market basket” of goods and services purchased by a hypothetical average family. The CPI-U (which covers 80% of the population of the United States) increased 2.5% for the 12 prior months ended September 2003. The September index of 189.9 nsa (1982-84 = 100) was 0.2% higher than the 12 months ended September 2003. Supporting data may be found at www.bls.gov.

- **Employment Cost Index (ECI:)** The ECI measures the changes in compensation costs, which include wages, salaries and employer costs for employee benefits. Annual compensation costs for civilian workers increased 3.8% for the year ended September 2004. This is down from 3.9% for the year ended September 2003. Annual compensation costs for state and local government workers increased 3.4% for the year ended September 2004. This is down from 3.6% for the year ended September 2003. Supporting data may be found at www.bls.gov.

Economic Data (ECI and CPI)

(% for 12 Months Ended September)

Year	ECI (Civilian)	ECI (State & Local Govt.)	CPI-U
1994	3.2	3.0	2.6
1995	2.7	3.0	2.8
1996	2.8	2.5	3.0
1997	3.0	2.4	2.3
1998	3.7	3.0	1.6
1999	3.1	2.9	2.2
2000	4.3	3.3	3.4
2001	4.1	4.4	2.8
2002	3.7	3.8	1.6
2003	3.9	3.6	2.4
2004	3.8	3.4	2.5

PAY ADMINISTRATION

2004 Compensation Report

Pay Administration

The following section provides general information about the current status of the classified service compensation system.

New Mexico Classified Employee Statistics

	July 2004	July 2003	July 2002
Average Salary	\$34,018	\$32,718	\$32,558
Median Salary	\$31,133	\$29,613	\$30,002
Average Compa-Ratio	92.94%	90.95%	91.30%
Total # of Employees*	19,589	19,413	19,270
Average Years in Agency	7.05	7.03	6.96
Average Years in Job Class	4.06	3.92	3.69
Average Age	42.98	42.93	42.70
Average Turnover Rate	14.31%	14.68%	13.36%

**Note: Includes Temporary Employees*

Employees below the minimum of their Pay Band or Pay Opportunity:

- As of October 27, 2004, the classified service had a total of 13 career employees in 9 agencies throughout the state below the minimum of their Pay Band or Pay Opportunity. Seven of these agencies have only one employee below minimum.

Employees above the maximum of their Pay Band or Pay Opportunity

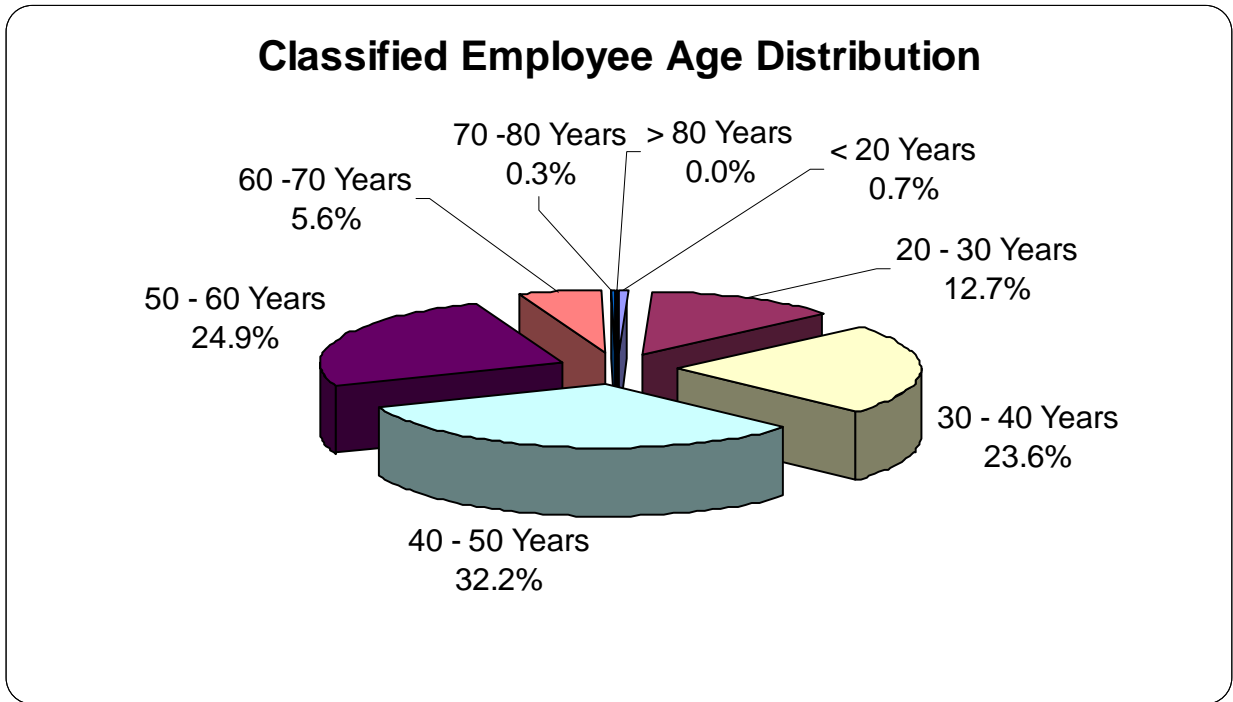
- As of October 27, 2004, classified service had a total of 169 employees over the maximum of their Pay Band or Pay Opportunity in comparison to the 88 employees above the maximum in November, 2003.

Alternative Pay Bands

- Alternative Pay Bands are utilized to address compensation related to recruitment and retention issues. A job may be evaluated for internal equity using the Hay Guide-Chart Method of Job Evaluation. External forces of market supply and market demand may place salary pressure in occupations where high demand exceeds the limited supply of labor. In this case, the State “temporarily” assigns a job classification to a higher pay band until either the salary structure catches up with the external labor market price for a job, market pressures ease with either greater supply or lower demand, or a combination of these factors. Job classifications are reviewed annually to determine which jobs require alternative pay band assignments.

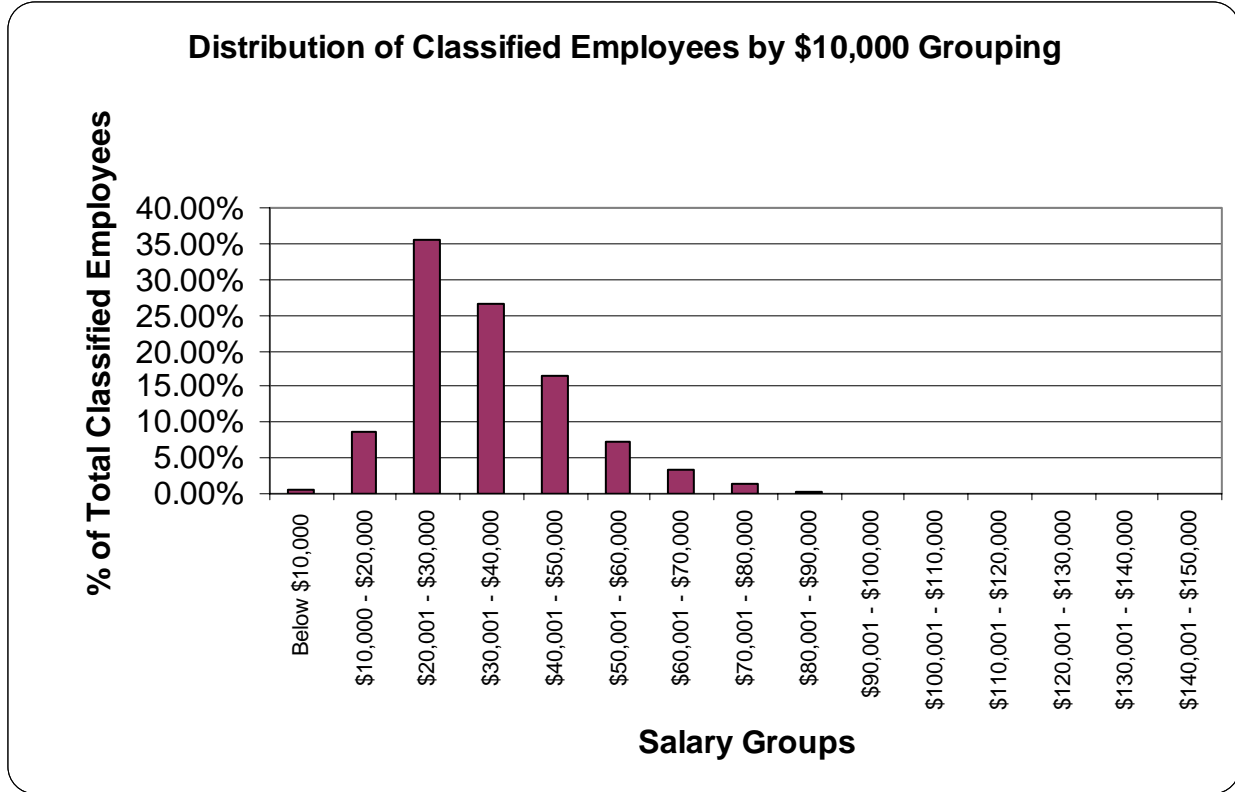
Average Age of Classified Employees

- The average age of classified employees is 42.98 years, while the median age is 44.00 years. The majority of employees (32.2%) fall in the 40 – 50 year range. There are 63 employees who are 70 years of age or older and 131 employees less that 20 years of age. There was a decrease in 20-30 year old workers (14% to 12.7%) and 30-40 year old workers (26% to 23.6%), while there was an increase in 50-60 years old workers (22% to 24.9%) and 60-70 year old workers (4% to 5.6%). This trend is consistent with what is occurring with the United States workforce. This trend in classified employees may also be attributed to the changes in PERA regulations allowing employees to return to work while receiving a pension.



Classified Employees Salary Distribution

- The following chart and table show the number of classified employees in each \$10,000 grouping.



Salary Range	# of Employees	% of Total	Running Total
Below \$10,000	78	0.42%	0.42%
\$10,000 - \$20,000	1,600	8.63%	9.05%
\$20,001 - \$30,000	6,575	35.47%	44.52%
\$30,001 - \$40,000	4,907	26.47%	71.00%
\$40,001 - \$50,000	3,044	16.42%	87.42%
\$50,001 - \$60,000	1,363	7.35%	94.77%
\$60,001 - \$70,000	624	3.37%	98.14%
\$70,001 - \$80,000	251	1.35%	99.49%
\$80,001 - \$90,000	39	0.21%	99.70%
\$90,001 - \$100,000	16	0.09%	99.79%
\$100,001 - \$110,000	17	0.09%	99.88%
\$110,001 - \$120,000	11	0.06%	99.94%
\$120,001 - \$130,000	5	0.03%	99.97%
\$130,001 - \$140,000	5	0.03%	99.99%
\$140,001 - \$150,000	1	0.01%	100.00%
TOTAL	18,536	100.00%	100.00%

**Does not include Temporary Employees. Data as of 9/04.*

LIST OF BENCHMARK SURVEY CLASSES

2004 Compensation Report

List of Benchmark Survey Classes

Accountants & Auditors (O)
Administrative Law Judges, Adjudicators, & Hearing Officers (A)
Administrative Law Judges, Adjudicators, & Hearing Officers (O)
Administrative Services Managers - General
Aircraft Mechanics & Service Technicians (O)
Airline Pilots, Copilots, & Flight Engineers (O)
Anthropologists & Archeologists (O)
Appraisers & Assessors of Real Estate (O)
Architects, except Landscape & Naval (O)
Automotive Service Technicians & Mechanics (O)
Bookkeeping, Accounting & Auditing Clerks (O)
Budget Analysts (O)
Business Operations Specialists (A)
Business Operations Specialists (O)
Carpenters (O)
Chemists (A)
Child, Family & School Social Workers (O)
Civil Engineering Technicians (A)
Civil Engineering Technicians (O)
Civil Engineers (A)
Civil Engineers (B)
Civil Engineers (O)
Claim Adjusters, Examiners & Investigators (O)
Clergy (O)
Clinical, Counseling and School Psychologists (A)
Clinical, Counseling and School Psychologists (O)
Compensation, Benefits & Job Analysis Specialists (O)
Compliance Officers, Except Ag, Construction, Health & Safety & Trans (O)
Computer & Information Services Managers – Line
Computer & Information Services Managers - Staff
Computer Operators (O)
Computer Software Engineers, Systems Software (A)
Computer Software Engineers, Applications (O)
Computer Software Engineers, Applications (A)
Computer Support Specialists (O)
Construction and Building Inspectors (O)
Construction Managers – Staff
Correctional Managers – Staff
Correctional Managers – General
Correctional Officers & Jailers (O)
Correctional Officers & Jailers (A)
Court, Municipal & License Clerks (O)
Data Base Administrators (A)

Dental Hygienists (O)
Dentists, General (A)
Detective and Criminal Investigators (O)
Dietitians & Nutritionists (O)
Division Director -State Parks Division (Exempt)
Economists (A)
Education Administrators (O)
Electrical Engineers (O)
Electricians (O)
Eligibility Interviewers, Gov't Programs (A)
Eligibility Interviewers, Gov't Programs (O)
Employment, Recruitment and Placement Specialists (A)
Employment, Recruitment and Placement Specialists (O)
Engineering Managers – General
Engineering Managers – Executive
Environmental Engineers (A)
Environmental Engineers (O)
Environmental Scientists & Specialists (O)
Environmental Scientist & Specialist Managers – Administrative/Operations
Environmental Scientists & Specialists, Including Health (O)
Epidemiologists (O)
Executive Secretary & Administrative Assistants (O)
Executive Secretary & Administrative Assistants (A)
Family & General Practitioners (A)
Financial Analysts (A)
Financial Analysts (O)
Financial Analysts (O)
Financial Examiners (O)
Financial Managers – General
Fish & Game Wardens (O)
Food Services Managers – Line
Forensic Science Technicians (A)
Forensic Science Technicians (O)
Foresters (O)
General & Operations Managers - General
Geological & Petroleum Technicians (O)
Graphic Designers (A)
Health & Safety Engineers, Except Mining Safety (O)
Health Educators (O)
Healthcare Support Workers, All Other (O)
Heating, Air Conditioning & Refrigeration (O)
Highway Maintenance Workers (A)
Highway Maintenance Workers (O)
Highway Patrol Major (Exempt)
Highway Patrol Trooper – Patrolman (Exempt)
Human Resource Manager – Line

Human Resource Manager – Administrative/Operations
Human Resources, Training & Labor Relations Specialists (A)
Human Resources, Training & Labor Relations Specialists (B)
Human Resources, Training & Labor Relations Specialists (O)
Hydrologists (A)
Information and Records Clerk, All Other (O)
Janitor & Cleaner, Except Housekeepers (O)
Landscape Architects (A)
Landscape Architects (O)
Lawyers (A)
Legal Secretary (A)
Librarians (O)
Library Managers – Administrative/Operations
Library Technicians (A)
Licensed Practical & Vocational Nurses (O)
Maintenance & Repair Workers General (O)
Management Analysts (A)
Management Analysts (O)
Market Research Analysts (O)
Mechanical Engineers (O)
Medical & Clinical Laboratory Technicians (O)
Medical & Clinical Laboratory Technologists (O)
Medical & Health Services Managers – Staff
Medical & Health Services Managers – General
Medical Records & Health Information Technicians (O)
Microbiologists (A)
Mining & Geological Engineers, Including Mining Safety Engineers (A)
Mining & Geological Engineers, Including Mining Safety Engineers (O)
Museum Monument Manager – Line
Museum Technicians and Conservators (O)
Natural Sciences Coordinators (O)
Natural Sciences Managers – Line
Network & Computer Systems Administrators (A)
Network Systems & Data Communications Analysts (O)
Nursing Managers – Staff
Nursing Managers – Line
Nursing Managers – General
Occupational Health & Safety Specialists (A)
Occupational Therapists (O)
Office Clerk, General (A)
Patrol Sergeant (Exempt)
Pharmacists (O)
Photographers (A)
Physical Therapists (O)
Physician Assistants (O)
Plant Managers – Staff

Plumbers, Pipe Fitters & Steam Fitters (O)
Police, Fire & Ambulance Dispatchers (O)
Probation Officers & Correctional Treatment Specialists (A)
Probation Officers & Correctional Treatment Specialists (O)
Property Real Estate / Community Association Managers – Staff
Psychiatric Technicians (A)
Psychiatric Technicians (B)
Psychiatric Technicians (O)
Psychiatrists (A)
Public Relations Specialists (O)
Purchasing Agents, Except Wholesale (O)
Radiological Technologists & Technicians (O)
Registered Nurses (A)
Registered Nurses (O)
Rehabilitation Counselors (O)
Secretary, Except Legal, Medical & Executive (O)
Security Guards (O)
Social & Community Service Coordinators (A)
Social & Community Service Managers – Administrative/Operations
Social & Community Service Managers – Line
Social and Community Service Coordinators (A)
Social and Community Service Managers – Line
Social and Human Service Assistants (O)
Speech Language Pathologists (O)
Stationary Engineers and Boiler Operators (O)
Statisticians (A)
Substance Abuse & Behavioral Disorders Counselors (O)
Surveyors (O)
Tax Examiners, Collectors & Revenue Agents (A)
Tax Examiners, Collectors & Revenue Agents (O)
Technical Writers (A)
Training & Development Specialists (O)
Veterinarians (A)
Zoologists & Wildlife Biologists (O)