

NEW MEXICO



CLASSIFIED SERVICE

Compensation Report

2007

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State of New Mexico

State Personnel Board

Sandra K. Perez, State Personnel Office Director



Compensation Report

2007



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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.



2007 COMPENSATION REPORT

Executive Summary

Report Highlights

The 2007 Classified Service Compensation Report provides fact-based information on the current compensation system for the State of New Mexico. Listed below are “at-a-glance” highlights of the content in this report.

- Compensation survey sources indicate that comparator organizations plan on providing average salary increases of approximately 3.9% and adjusting salary structures by approximately 3.0%. NOTE: These are not cumulative salary increases.
- On a national level, benefit costs continue to rise at three to four times the rate of inflation. Both medical and prescription increase trends are declining.
- In July 2007, the average base salary was \$38,820.
- New Mexico maintains a median to slightly higher than median position within the eight-state regional comparator market for base salary and total compensation (salary and benefits).

COMPENSATION PHILOSOPHY

The State of New Mexico’s compensation system is a stable system with a solid foundation. It is an innovative, ever-evolving system that must support the state’s business strategy and adapt to the social, competitive and regulatory pressures in the environment. 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 Personnel Board has retained the services of Hay Management Consultants (HayGroup) annually since 1989 to assist in the refinement of the system. The recommendations presented in this report are an integral part of the work in progress.

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.”

The 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.

National Trends

Our research indicates that most organizations are planning on adjusting their salary structures in 2008 by an average of 3.0% (ranging from 2.7% - 3.8%) and providing merit increases of approximately 3.9%. Survey sources indicate that organizations as a whole across all industries plan on providing increases between 3.2% to 5.7%. WorldatWork indicates that U.S. employers plan on providing an average 3.9% general salary increase (based on survey responses from all U.S. regions and industries). In a subset of WorldatWork data, employers predict an average 2.7% general increase for the Western Region Public Administration sector. When merit and other increases are incorporated into this projection, the overall average increase for the Western Region Public Administration sector is projected to be approximately 4.4%, which is slightly higher than the national projection. This estimate is more than the 2007 Consumer Price Index for All Urban Consumers (CPI-U) of 2.8%. Also for 2008, the Social Security Administration announced that it will provide a 2.3% Cost of Living Adjustment (COLA) to Social Security and Supplemental Security Income benefits for more than 52 million Americans.

The Bureau of Labor Statistics reports unemployment at 4.7% in October 2007. The recovering economy and growing job market are challenging employers to focus 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.” Current research suggests that employees are emphasizing the importance of career development and advancement in their decision to join or stay with an organization.

Benefit costs continue to rise at three to four times the rate of general inflation. However, 2008 will mark the fifth consecutive year of declining medical trends. 2008 trends are forecasted for all managed care plan types, ranging from 10.5% to 10.9%. The average medical premium increase for medical insurance plans administered by the State of New Mexico

Risk Management Division for FY 2007 was 9.8%. Projected trends for prescription drugs have declined dramatically to 10.7%, by nearly 9 percentage points since their high of 19.5% in 2003.

INDUSTRY TRENDS AND RELATED DATA SOURCES

Data Source	Structure	Salary Increase
CSCA	3.8%	4.2%
WorldatWork	2.7%	3.9%
CompData	3.2%	3.8%
Hay Group	2.9%-3.1%	4.0%
Mercer	3.0%	3.8%
Watson Wyatt	—	3.8%
Hewitt Associates	—	3.8%
ORC Worldwide	2.9%	3.9%
PSPC	—	3.5%
MSA/Clark	—	4.3%
AFT	—	5.7%
Buck Consultants	—	3.8%
IOMA	—	3.8%
BLR	—	3.4%
Salary.com	—	3.8%
Social Security Administration	—	2.3%

SYSTEM MAINTENANCE INFORMATION

The cost projections in the adjacent tables provide information on the fiscal impact resulting from salary increases at one-half percent increments from 1.0% to 5.0% for the state government classified service. The Cost of In-Range Salary Adjustments for a Full Fiscal Year table calculates the cost of salary increases based on average actual classified employee salaries. The Cost of Midpoint Salary Adjustments for a Full Fiscal Year table calculates the cost of salary increases based on the midpoint of each classified employee's Pay Band or Pay Opportunity.

COST OF IN-RANGE SALARY ADJUSTMENTS FOR A FULL FISCAL YEAR

Percent of Actual Salary Increases	Full Cost	General Fund (54%)
1.00%	\$ 9,902.0	\$ 5,347.1
1.50%	\$ 14,853.0	\$ 8,020.6
2.00%	\$ 19,804.0	\$ 10,694.2
2.50%	\$ 24,755.0	\$ 13,367.7
3.00%	\$ 29,706.0	\$ 16,041.2
3.50%	\$ 34,657.0	\$ 18,714.8
4.00%	\$ 39,608.0	\$ 21,388.3
4.50%	\$ 44,559.0	\$ 24,061.9
5.00%	\$ 49,510.0	\$ 26,735.4

Note: Estimates include the State's portion of overall benefit costs

COST OF MIDPOINT SALARY ADJUSTMENTS FOR A FULL FISCAL YEAR

Percent of Midpoint Salary Increases	Full Cost	General Fund (54%)
1.00%	\$ 9,802.3	\$ 5,293.2
1.50%	\$ 14,703.4	\$ 7,939.9
2.00%	\$ 19,604.6	\$ 10,586.5
2.50%	\$ 24,505.7	\$ 13,233.1
3.00%	\$ 29,406.9	\$ 15,879.7
3.50%	\$ 34,308.0	\$ 18,526.3
4.00%	\$ 39,209.2	\$ 21,173.0
4.50%	\$ 44,110.3	\$ 23,819.6
5.00%	\$ 49,011.5	\$ 26,466.2

Note: Estimates include the State's portion of overall benefit costs

NOTE: The cost projections for the In-Range Salary Adjustments and Midpoint Salary Adjustments Tables (adjacent) include only filled, non-temporary positions which remain fairly consistent each fiscal year. Vacancy savings are included in these estimates.

Total Compensation

Total Compensation

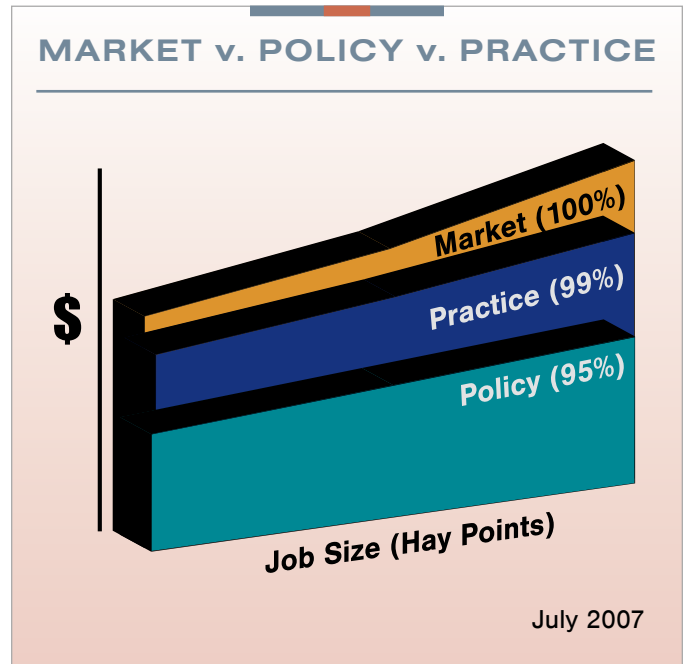
Studies conducted by WorldatWork, the Employee Benefit Research Institute, the Society for Human Resource Management, International Personnel Management Association, National Association of State Personnel Executives, HayGroup, Towers Perrin, Watson Wyatt Worldwide, and numerous other organizations reveal that employer-provided employee benefits remain an 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 that can be used to supplement their retirement plan.

The adjacent chart shows base pay (practice) to the midpoint values of the New Mexico Classified Salary Schedule (policy) to the external comparative salary market (market). The Policy Line, which was last adjusted upward by 2.4% in 2004, is considered to be competitive particularly in light of the competitiveness of the employee benefit package. In July 2007, the average statewide base pay (practice) was 99.07% of the midpoint values.

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 2007 results are shown to the right.

NOTE: The State Personnel Office selected benefit factors that are common to our comparable states in determining total compensation. Additional analysis may include factors such as the State’s portion of retiree health care contributions, educational reimbursements, voting leave,



EIGHT-STATE COMPARATOR MARKET

Base Salary Ranking		Total Compensation Ranking	
Colorado	\$50,328	Colorado	\$70,192
Nevada*	\$48,325	Wyoming	\$66,594
Wyoming	\$40,012	Nevada*	\$66,224
New Mexico	\$38,820	Utah	\$64,654
Utah	\$38,030	New Mexico	\$64,311
Arizona	\$36,607	Oklahoma	\$52,223
Texas*	\$36,124	Texas*	\$51,306
Kansas	\$34,511	Arizona	\$48,047
Oklahoma	\$34,356	Kansas	\$47,324

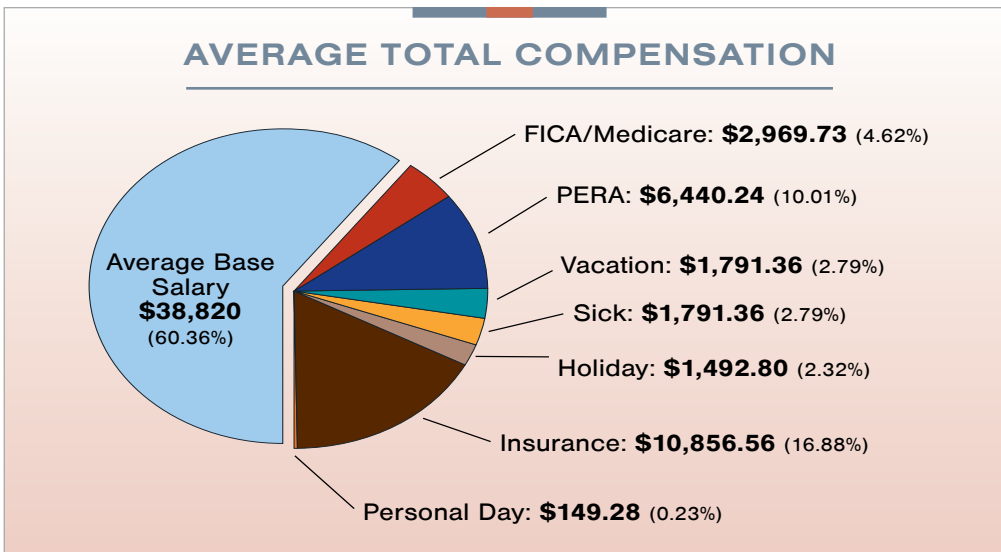
* Texas and Nevada were unable to report benefit data in 2007. Total Compensation percentages were carried forward from 2006 for comparison purposes.

SAMPLE TOTAL CLASSIFIED COMPENSATION CALCULATION

Sample based on Presbyterian family coverage in conjunction with family dental, vision, life and disability coverage.

Average Base Salary:		\$38,820.00
Employer Sponsored Benefits:		
FICA/Medicare	(6.2% / 1.45% of gross salary)	\$ 2,969.73
PERA	(16.59% of gross salary)	6,440.24
Vacation	(96 hours per year)	1,791.36
Sick	(96 hours per year)	1,791.36
Holiday	(80 hours per year)	1,492.80
Insurance	(less than \$50,000)	10,856.56
Personal Day	(8 hours per year)	149.28
Total Benefits		\$25,491.33
Total Compensation (Salary + Benefits):		\$64,311.33

NOTE: The State Personnel Office selected benefit factors that are common to our comparable states in determining total compensation. Additional analysis may include factors such as the State's portion of retiree health care contributions, educational reimbursements, voting leave, etc.



NOTES

2007 COMPENSATION REPORT

Salary Survey

ANNUAL SALARY SURVEY PURPOSE

The purpose of conducting an annual salary survey is to determine the competitiveness of the salary structure (Pay Bands and Pay Opportunities) and the State's current pay practice (actual pay) with the average pay of the State's comparative markets and to determine the competitiveness of 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). The State Personnel Office's compensation philosophy has advocated an objective of maintaining external competitiveness.

An analysis of the marketplace is conducted to identify where employees who leave state government are being hired and to also identify where opportunities exist to attract the best potential candidates. The State Personnel Office divides the market into two salary survey groups: local and regional; and Central, Western and Southwestern states. Most classifications are analyzed using regional data from the eight surrounding state governments (see map to the right). New Mexico ranks fourth in base salary and fifth in total compensation when compared to the eight surrounding states. This ranking places New Mexico as average payer in the region.

The purpose of these salary surveys is to determine the competitiveness of the salary structure with the average pay of the comparator market and to determine how New Mexico relates to the comparator market in terms of total compensation (salary and benefits). Market data is collected from several sources such as Central States Compensation Association Survey, Management Science Associates, Compdata 2007 Southwest Survey, AFT Public Employees Compensation Survey and the Technology Net survey of New Mexico municipal and county governments.

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 identified for analysis as part of the salary survey were selected based on the following criteria:

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

New Mexico Municipal League (Hosted by TechNet):

The State Personnel Office subscribes to TechNet, an internet-based company, that contracts with many municipal leagues and county associations to conduct municipal and county surveys in various states. A total of 217 classifications were surveyed.

Central States Compensation Association Salary

Survey: The State Personnel Office participates in a compre-

hensive 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 26 state governments that participate in this survey annually. New Mexico identified job matches for 237 of the 253 benchmark classifications in the survey. Over 400,000 state workers are represented in this survey.

Management Science Associates/Clark Consulting:

The 2007 survey includes information from 584 organizations, representing over 1 million employees.

CompData Survey (Southwest Region): The 2007 survey contains 514 jobs in the states of Arizona, Nevada and New Mexico. A total of 170 organizations submitted data covering 58,343 employees.

Comparative Market Movement/ Structure Adjustments

The State Personnel Office analyzes industry and economic data from several key sources:

- **Central States Compensation Association:** Data from this association shows that median salaries in the survey benchmarks increased approximately 3.8% and average salaries increased 4.2%. 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.
- **WorldatWork Total Salary Increase Budget Survey:** WorldatWork is a global, not-for-profit professional association with more than 23,000 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. This report is acknowledged as one of the longest running (34 years) and most comprehensive salary surveys and being the largest salary increase budget survey of its kind (2,516 participating organizations representing approximately 14.6 million employees). In July 2007, projections for 2008 indicated participating organizations plan to adjust salary structures upward by an average 2.7% and provide average merit increases of approximately 3.9%. Survey results indicate that 92% of organizations provided a base salary increase in 2007—which is unchanged over the past two years. Increased focus on variable pay appears to be offsetting base salary increases, with approximately 80% of organizations offering some sort of variable pay this year (up from 79% last year). Supporting data may be found at www.worldatwork.org.
- **Compdata Survey (Southwest Region):** The 2007 survey suggests that participating organizations plan to adjust salary structures by 3.2% and provide average salary increases of 3.8% in 2008.
- **The HayGroup:** Hay consultants are recommending clients adjust their salary structures by 2.9% to 3.1% and provide average salary increases of approximately 4.0%. These figures encompass over 1,700 organizations representing over 3 million employees. Supporting data may be found at www.haygroup.com.
- **Mercer:** The *2007/2008 U.S. Compensation Planning Survey*, which gathered responses from more than 950 employers and reflected pay practices for nearly 12 million workers, indicated organizations plan to grant average increases of 3.8% this year. Supporting data may be found at www.mercerhr.com.
- **Watson Wyatt:** The Watson Wyatt Compensation practice indicates that organizations plan on providing 3.8% average salary increases next year. Supporting data may be found at www.watsonwyatt.com.
- **Hewitt Associates:** Hewitt Associates Compensation practice indicates that organizations plan on providing 3.8% average salary increases next year. Supporting data may be found at www.hewittassociates.com.
- **Buck Consultants:** The *Compensation Planning for 2008* study contained responses from 370 organizations. The data indicated employers plan to provide 3.8% average salary increases in 2008. Supporting data may be found at www.buckconsultants.com.

- **ORC Worldwide:** The *2008 Budget and Structure Adjustment Survey* forecasts that organizations plan to adjust salary structures by 2.9% and provide 3.9% average salary increases. This survey contains responses from more than 450 organizations. Supporting data may be found at www.orcworldwide.com.

- **Salary.com:** Salary.com reports an average salary increase of 3.8% with 64% of firms planning no change in salary budgets between 2007-2008. Supporting data may be found at www.salary.com.

- **MSA/Clark Consulting:** The *2008 National Health-care Staff Compensation Survey* indicates participating organizations plan to provide 4.3% average salary increases in 2008. The survey includes data from 428 organizations representing over 1 million employees. Supporting data may be found at www.clarkconsulting.com/msa.

- **Compensation.BLR.com:** Survey results show that the planned increases for both merit and general raises have dipped to 3.4% for 2008. Supporting data may be found at www.compensation.blr.com.

- **Public Sector Personnel Consultants:** PSPC indicates that participating organizations plan on providing 3.5% average salary increases next year. Supporting data may be found at www.compensationconsulting.com.

- **IOMA:** The *Report on Salary Surveys* published by IOMA's survey group indicates that employers plan on providing 3.8% average salary increases next year. Supporting data may be found at www.ioma.com.

- **American Federation of Teachers:** The *2007 Compensation Survey* indicates that organizations plan to provide 5.7% average salary increases. Supporting data may be found at www.aft.com.

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 3.3% for the year that ended September 2007. This held constant in relation to the year that ended September 2006. Annual compensation costs for state and local government workers increased 4.3% for the year that ended September 2007. This is up from 4.1% for the year that ended September 2006. Effective April, 2007, the methodology for collecting and reporting Employment Cost Index (ECI) changed, which has a slight impact on trending ECI historical data. This is not the result of a change in what an establishment or the employees have been doing, but instead stems from a reclassification based on the new hierarchy. Supporting data may be found at www.bls.gov.

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 2.8% for the 12 prior months that ended September 2007. The September index of 208.5 (not seasonally adjusted) (1982-84 = 100) was up from 202.9 (not seasonally adjusted) in the 12 months that ended September 2006. Supporting data may be found at www.bls.gov.

ECI AND CPI ECONOMIC DATA

(% 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
2005	3.0	3.9	4.7
2006	3.3	4.1	2.1
2007	3.3	4.3	2.8

2007 COMPENSATION REPORT

Pay Administration

Average Salaries, Retention and Turnover

The table below provides a “point-in-time” comparison of average salaries, retention and turnover during the last four years. Average salaries increased by over \$6,102 during the past four years. The median salary also increased by \$7,183 during the same time period. Consistent with this salary trend information, compa-ratios also suggest that classified employees are gradually moving toward the midpoint of their assigned Pay Band/Opportunity.

The New Mexico Department of Labor United States Bureau of Labor Statistics based on data from the Quarterly Census of Employment and Wages – First Quarter 2006 reports the average private and government wages and salaries in New Mexico averaged \$34,811. Based on data from the National Compensation Survey, the United States Bureau of Labor Statistics reports a national average salary of \$40,310 in June 2007. The private industry average salary was \$38,106 and the average state and local government salary was \$53,518 for the same time period.

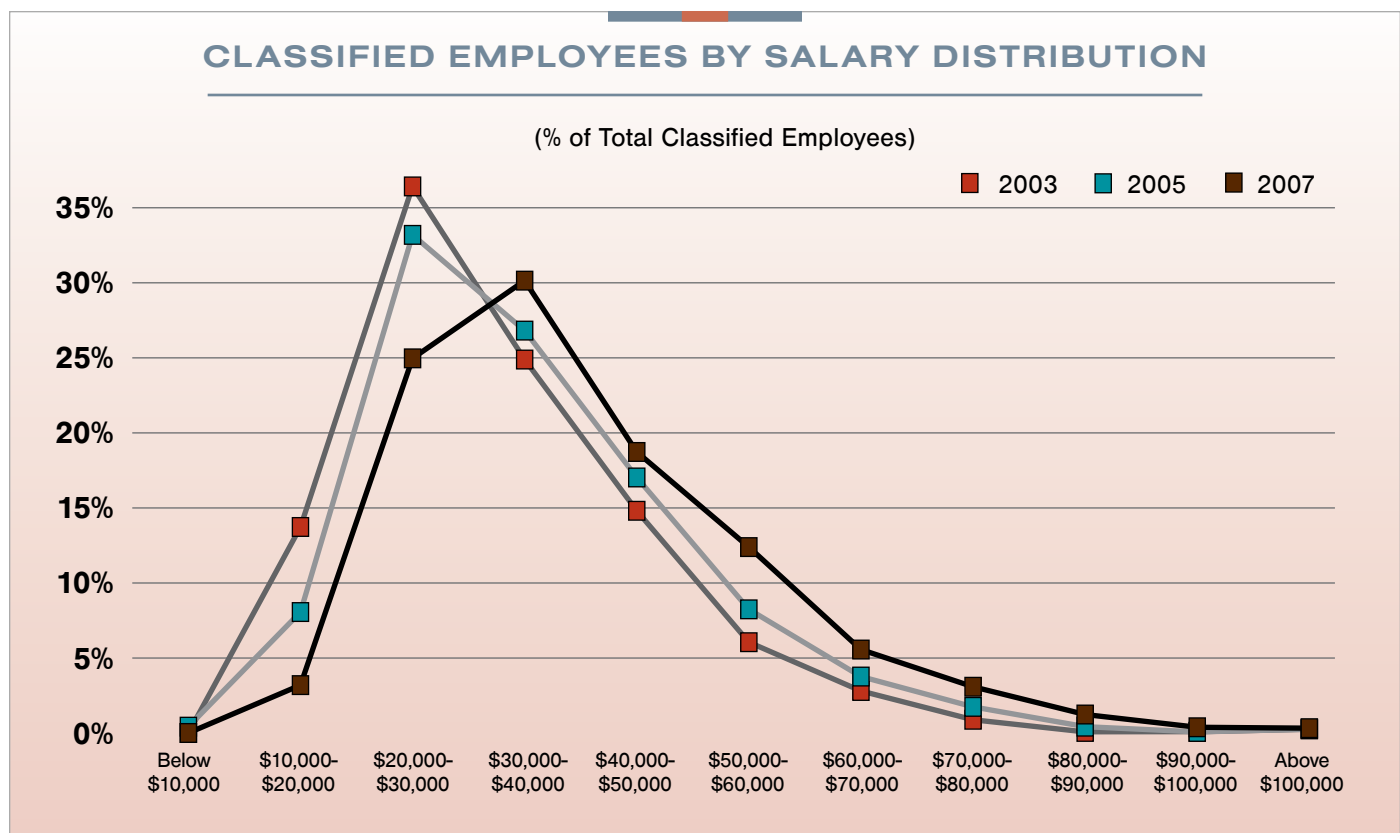


	July 2003	July 2004	July 2005	July 2006	July 2007
Average Salary	\$32,718	\$34,018	\$35,834	\$37,918	\$38,820
Median Salary	\$29,613	\$31,133	\$31,732	\$33,883	\$36,796
Average Comp-Ratio	90.95%	92.94%	93.98%	98.00%	99.07%
Total Number of Employees*	19,413	19,589	20,005	19,161	18,518
Average Years in Agency	7.03	7.05	7.42	6.47	5.44
Average Years in Job Class	3.92	4.06	4.30	3.84	3.52
Average Turnover Rate	14.68%	14.31%	13.04%	15.77%	14.06%

* Prior to July 2006 the data set included temporary employees.

CLASSIFIED EMPLOYEE SALARY DISTRIBUTION

The chart and table below illustrate the number of classified employees in each \$10,000 earning bracket. There has been a significant increase in the number of classified employees earning more than \$30,000 annually since 2003.



Salary Range	2003	2005	2007
	# of Employees	# of Employees	# of Employees
Below \$10,000	0	79	0
\$10,000-\$20,000	2,649	1,523	590
\$20,000-\$30,000	7,028	6,275	4,624
\$30,000-\$40,000	4,802	5,069	5,584
\$40,000-\$50,000	2,857	3,219	3,466
\$50,000-\$60,000	1,168	1,558	2,294
\$60,000-\$70,000	541	711	1,030
\$70,000-\$80,000	170	328	571
\$80,000-\$90,000	14	80	228
\$90,000-\$100,000	16	13	71
Above \$100,000	48	47	60
TOTAL	19,293	18,902	18,518

Does not include Temporary Employees. Data as of 7/07.

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