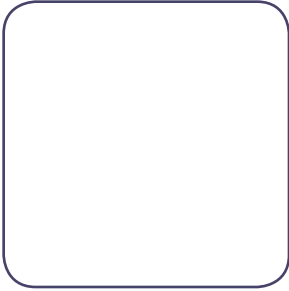
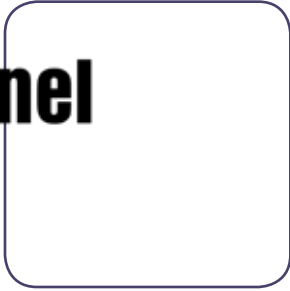
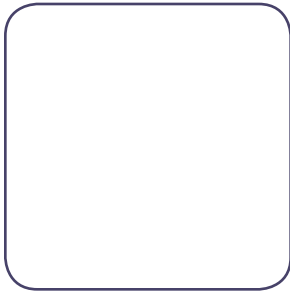
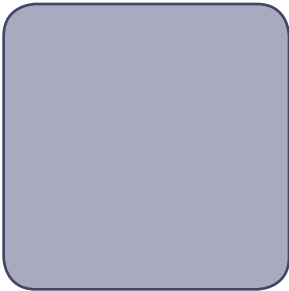
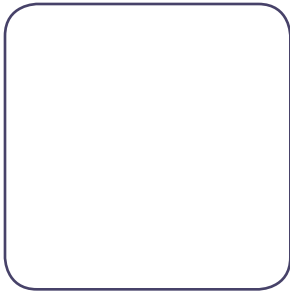
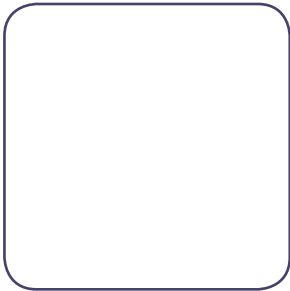
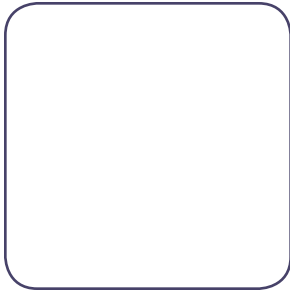
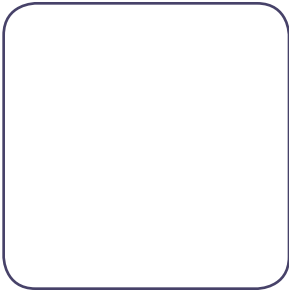
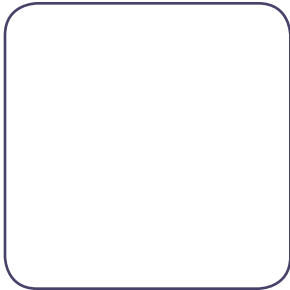


CLASSIFIED SERVICE
COMPENSATION REPORT
 2010



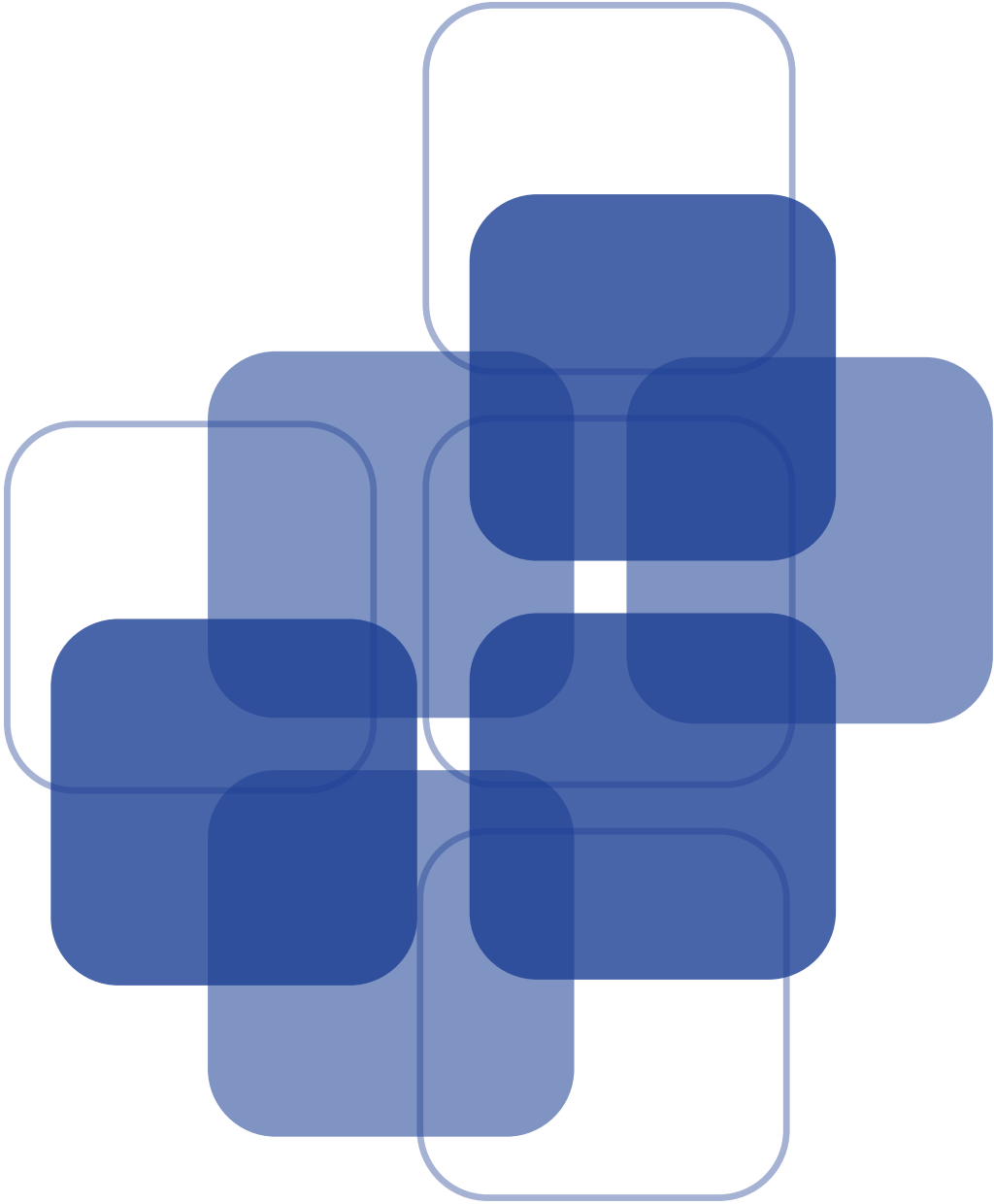


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STATE LEADERSHIP

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STATE PERSONNEL OFFICE

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Reese Fullerton, Deputy Director

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Justin Najaka, State Director of Compensation

PERSONNEL ACT & COMPENSATION PHILOSOPHY

The purpose of the Personnel Act is to establish for New Mexico a system of personnel administration based solely on qualification and ability, which will provide greater economy and efficiency in the management of state affairs (10-9-2 NMSA 1978). The Act created a Personnel Board of five private citizens appointed by the Governor and confirmed by the Senate, who serve staggered terms of five years each. One of its major responsibilities is to promulgate rules to establish a compensation plan.

The State Personnel Board Rule Subsection E of 1.7.4.8 NMAC requires the Board to adopt and submit a compensation report that includes a summary of the status of the classified pay system and the results of the annual compensation survey that includes total compensation to the governor and the Legislative Finance Committee by the end of each calendar year. This shall serve as the official report.

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."

STATUS OF THE STATE OF NEW MEXICO'S COMPENSATION SYSTEM AND PAY ADMINISTRATION

Total Compensation

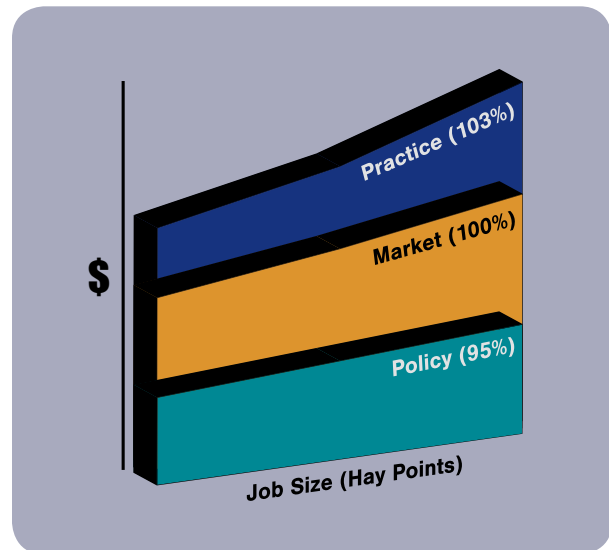
Studies conducted by WorlDatWork, the Employee Benefit Research Institute, the Society for Human Resource Management, International Personnel Management Association, National Association of State Personnel Executives, HayGroup, Towers Perrin, and numerous other organizations reveal that employer-provided 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 mid-point 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 2010, the average statewide base pay (practice) was 103.0% of the midpoint values.

The results of the HayGroup's Employee Benefits Review conducted in 2000, rank the State of New Mexico's benefit package as median or slightly above the average benefit package of the comparator market. The State Personnel Office participates in an annual benefit survey that has confirmed this trend. The 2010 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, etc.



July 2010

EIGHT-STATE COMPARATOR MARKET

Base Salary Ranking		Total Compensation Ranking	
Nevada	\$55,704	Wyoming	\$79,269
Colorado	\$55,044	Colorado	\$78,250
Wyoming	\$45,822	Utah	\$73,424
Utah	\$42,635	Arizona	\$69,576
New Mexico	\$41,986	New Mexico	\$68,823
Texas	\$39,239	Oklahoma	\$66,518
Kansas	\$38,100	Nevada	\$64,480
Arizona	\$37,630	Texas	\$56,884
Oklahoma	\$35,200	Kansas	\$55,952

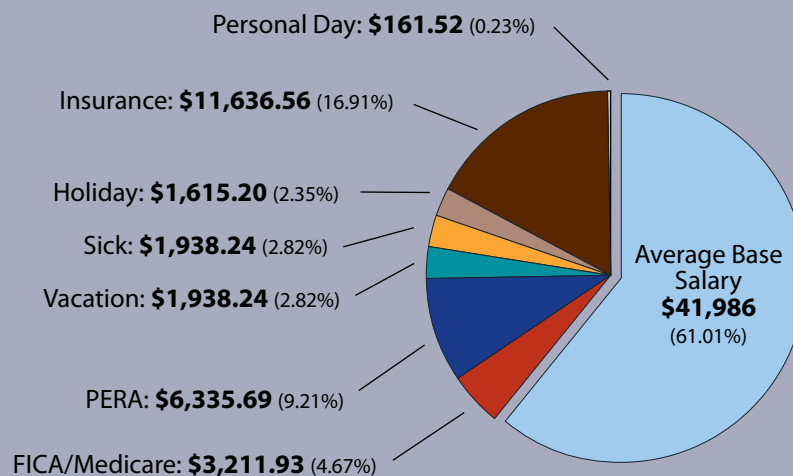
Source: 2010 Central States Compensation Association Benefits Survey
Texas data from Texas Report Number 10-704

Sample Total Classified Compensation Calculation

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

Average Base Salary:		\$41,986.00
Employer Sponsored Benefits:		
FICA/Medicare	(6.2% / 1.45% of gross salary)	\$ 3,211.93
PERA	(15.09% of gross salary)	6,335.69
Vacation	(96 hours per year)	1,938.24
Sick	(96 hours per year)	1,938.24
Holiday	(80 hours per year)	1,615.20
Insurance	(less than \$50,000)	11,636.56
Personal Day	(8 hours per year)	161.52
Total Benefits		\$26,837.38
Total Compensation (Salary + Benefits):		\$68,823.38

AVERAGE TOTAL COMPENSATION



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.

Source: Average Base Salary obtained from PeopleSoft Employee Database Extract—Statewide Classified 7/1/2010

NATIONAL TRENDS

Our research indicates that most organizations plan to adjust their salary structures in 2011 by an average of 1.9% (ranging from 0.62% to 2.0%) and to provide merit increases of approximately 2.4%. Survey sources indicate that organizations as a whole across all industries plan on providing increases that range from 0.4% to 3.6%. WorldatWork indicates that US employers plan on providing an average 2.8% general salary increase (based on survey responses from all US regions and industries). In the Major Industry Grouping subset of WorldatWork data, Public Administration Sector employers predict an average general increase of 1.9% in 2011, which is a minimal increase from the actual 2010 salary increase of 1.8%. This estimate stands in contrast to the 2010 Consumer Price Index for all Urban Consumers (CPI-U) of 1.1%. For the second time since implementation of the Cost of Living Adjustment (COLA) in 1975, the Social Security Administration announced that it will not provide an increase adjustment to Social Security and Supplemental Security Income benefits for more than 57 million Americans because of low consumer prices. In September 2010, the Bureau of Labor Statistics reported the seasonally adjusted unemployment rate at 9.6%, which has decreased from 2009.

Retaining top talent in a rebounding economy creates the added pressure to attract and retain high-performing and high-potential talent. Talent retention is a critical concern and with the anticipation of the job market improving, employers need to focus more on what attracts candidates and what keeps the person from leaving the organization. While salary is an important factor, employees are looking more towards career packages, organizational culture, career paths, and work/life balance. Creating an attractive workforce environment involves balancing a diverse workforce across a complex web of cultures and economic environments. Employers must identify which recruitment and retention strategies works best for them. They must recognize the generational differences to balance and eliminate potential conflicts, invest in training and retraining, career development, reward systems and provide opportunities for job enrichment. Employee retention is the most critical challenge in today's business; it can provide a competitive advantage in determining the future of an organization.

While employers have taken various steps to mitigate benefit costs for employees, the estimated healthcare costs are expected to increase on average of 8.9% for 2011, up from 7% in 2010. In addition, medical and prescription drug cost rates are expected to substantially increase over core inflation in 2011 according to the 2011 Segal Health Plan Cost Trend survey. Employee share of health insurance family premiums rose 3% between 2009 and 2010. Premiums are expected to rise 1% in 2011; the low percentage increase

indicates employers are still reluctant to shift increasing premium costs to employees.

New Mexico Retiree Healthcare Authority implemented changes to the employer and employee contribution rates effective FY2011. The employer contribution percentage of payroll will be increased from 1.3% to 2.0% and the employee contribution rates will be increased from 0.65% to 1.0%; the increases are to be phased in over the next three fiscal years. Additionally, there will be a separate and higher contribution rate required for members of an enhanced retirement program (such as the state police and fire personnel) which allows for earlier retirement after a lesser number of years. For additional information please visit The New Mexico Retiree Healthcare Authority Website at www.nmrhca.state.nm.us.

The Public Employee Retirement Association of New Mexico has increased the number of service credits required for normal retirement for state and municipal members hired after July 1, 2010 to any age and 30 or more years of service credit. General members hired on or before June 30, 2010 remain eligible for retirement at any age with 25 or more years of service credit.

INDUSTRY TRENDS AND RELATED DATA SOURCES

Data Source	Structure	Salary Increase
WorldatWork	2.0%	2.8%
CSCA*	0.62%	.41%
CompData	—	2.4%
Hay Group	2.0%	3.0%
Mercer	—	2.9%
Towers Watson	—	2.7%
Hewitt Associates	—	2.8%
BLR	—	1.9%
IOMA	—	3.6%
Buck Consultants	—	2.8%
AFT	—	0.4%
Integrated Health Care	—	3.0%
Social Security Administration	—	0%

**2010 Central States Compensation Association survey of 23 reporting states indicates that only five states project structure adjustments (averaging 0.62%) and only four project salary budget increases (averaging 0.41%).*

System Maintenance Information

The tables below provide the cost of adjusting classified employee salaries by one-percent. 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.

The data provided in the table below displays the average classified hourly rate as of July 2010. The annual salary cost for the classified service for one eight-hour day is also provided.

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

Percent of Actual Salary Adjustment	Full Cost	General Fund (54%)
1.00%	\$ 9,934.9	\$ 5,364.9

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 Adjustment	Full Cost	General Fund (54%)
1.00%	\$ 9,618.5	\$ 5,194.0

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

CURRENT SALARY INFORMATION

Average Hourly Rate	\$ 20.18	
One Day Cost	Full Cost	General Fund (54%)
	\$ 3,821.1	\$ 2,063.4

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 (above) include only filled, non-temporary positions as of 9/1/10. Vacancy savings are included in these estimates.

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.

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 benchmark 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 areas which include Central, Western and Southwestern states. Most classifications are analyzed using regional data from the eight surrounding state governments (see map to the left). New Mexico ranks fifth in base salary and fifth in total compensation when compared to the eight surrounding states. This ranking places New Mexico as the 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 the Central States Compensation Association Survey, Integrated Healthcare Strategies, and Compdata 2010 West Region Survey.

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 Worldat-Work 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).

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. This year 24 state governments participated in this annual survey. New Mexico identified job matches for 297 of the 316 benchmark classifications in the survey. Over 465,189 state workers are represented in this survey.

CompData Survey (West Region): The 2010 survey contains 333 jobs in the states of Arizona, California, Colorado, Idaho, Montana, Nevada, New Mexico, Oregon, Utah, Washington and Wyoming. A total of 608 organizations submitted data. CompData Surveys beginning in 2009 redesigned their compensation data to report compensation as an industry-specific and regional resource and has increased the number of organizations to create a larger more comprehensive data of current pay and benefit information.

DISCLAIMER

Data referenced in this document were compiled through September/October 2010. Due to the recent economic downturn many sources are working with their clients to revise their projections. Revised data has been included where available.

Comparative Market Movement/Structure Adjustments

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

- **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 over 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 (37 years) and most comprehensive salary surveys and being the largest salary increase budget survey of its kind (2,724 participating organizations representing approximately 13.6 million employees). In July 2010, projections for 2011 indicated participating organizations plan to adjust salary structures upward by an average 2.0% and provide average merit increases of approximately 2.8%. Survey results indicate that 86% of organizations provided a base salary increase in 2010—which is up by 6% from last year. 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 (remained the same from 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 0.62% and average salaries increased 0.41%. 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.
- **Compdata Survey (West Region):** The 2010 survey suggests that participating organizations plan to provide salary increases averaging 2.4%. Supporting data may be found at www.compdatasurveys.com.
- **The HayGroup:** Hay consultants are reporting clients plan to adjust their salary structures 2.0% and provide average salary increases of 3.0%. These figures encompass over 1,700 organizations representing over 3 million employees. Supporting data may be found at www.haygroup.com.
- **Mercer:** The 2010/2011 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 provide salary increases of 2.9% next year. Supporting data may be found at www.mercerhr.com.

- **Towers Watson:** The Towers Watson Compensation practice indicates that organizations plan to provide a 2.7% average salary increases next year. Supporting data may be found at www.towerswatson.com.
- **Hewitt Associates:** Hewitt Associates Compensation practice indicates that organizations plan on providing 2.8% average salary increases next year. Supporting data may be found at www.hewittassociates.com.
- **Compensation.BLR.com:** Survey results show that the planned increases for both merit and general raises have increased 1.9% for 2011. Supporting data may be found at www.compensation.blr.com.
- **IOMA:** The Report on Salary Surveys published by IOMA's survey group indicates that employers plan to provide a 3.6% average salary increase next year. Supporting data may be found at www.ioma.com.
- **Buck Consultants:** The *Compensation Planning for 2010* study contained responses from 370 organizations. The data indicated employers plan to provide 2.8% average salary increases in 2011. Supporting data may be found at www.buckconsultants.com.
- **American Federation of Teachers:** The *2010 Compensation Survey* indicates that organizations plan to provide 0.4% average salary increases. Supporting data may be found at www.aft.com.
- **Integrated Healthcare Strategies:** The *2010 National Healthcare Staff Compensation Survey* indicates participating organizations plan to adjust their salary structures by 3%. The survey includes data from over 1,200 organizations representing over 1 million employees. Supporting data may be found at ihstrategies.com.

Economic Data

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 1.5% for the year that ended September 2010. Annual compensation costs for state and local government workers decreased 1.7% for the year that ended September 2010. This is down from 2.4% for the year that ended September 2009. 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—All Urban Consumers (CPI-U)

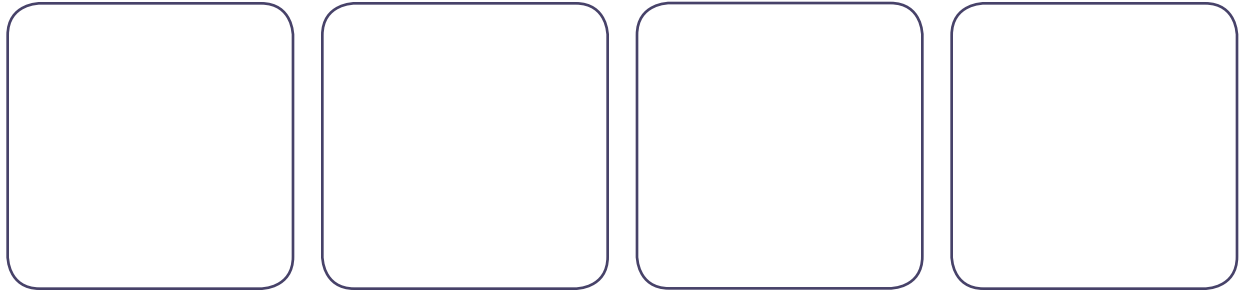
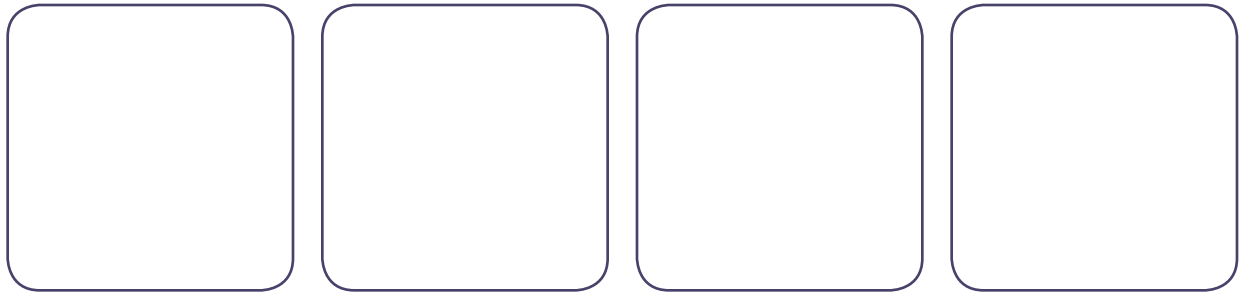
The CPI is the most widely cited index number for a price level that may be used as an indicator of the cost of living compiled by the Bureau of Labor Statistics of the US Department of Labor. It is an indicator of the changing purchasing power of the dollar. Specifically, it measures the price changes 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 1.1% for the 12 prior months that ended September 2010. The September index of 218.44 (not seasonally adjusted) (1982-84 = 100) was up from 215.97 (not seasonally adjusted) in the 12 months that ended September 2009. Supporting data may be found at www.bls.gov.

ECI & 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
2008	2.9	3.4	4.9
2009	1.5	2.4	-1.3
2010	1.5	1.7	1.1

Data referenced in this document were compiled through September/October 2010.



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