



Insurance | Risk Management | Consulting

# Grand Rapids Public Utilities

## Employee Compensation & Classification Study

April 14, 2023

**Mr. Ronnie Charles, SPHR, GPHR, IPMA-SCP**  
National Managing Director | Public Sector & Higher Education

**Mr. Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP**  
Managing Principal | Public Sector & Higher Education

Gallagher  
Human Resources & Compensation Consulting  
1600 Utica Avenue, Suite 450  
St. Louis Park, MN 55416

651.234.0845  
[Mike\\_Verdoorn@ajg.com](mailto:Mike_Verdoorn@ajg.com)  
[ajg.com/compensation](http://ajg.com/compensation)



**Gallagher**

Insurance | Risk Management | Consulting

## INTRODUCTION LETTER

April 14, 2023

PERSONAL & CONFIDENTIAL

Grand Rapids Public Utilities  
Attn: Chery Pierzina  
500 SE 4<sup>th</sup> Street  
Grand Rapids, MN 55744

Dear Ms. Pierzina:

We appreciate the opportunity to present you with this proposal outlining the services Gallagher's Human Resources & Compensation Consulting practice is able to offer Grand Rapids Public Utilities (GRPU). Gallagher is highly capable and qualified to work with GRPU based on our extensive experience with public entities in Minnesota and across the country.

It is our understanding that GRPU is seeking proposals from qualified firms to conduct a benchmark compensation study and make recommendations to update your compensation structure in accordance with the study. The purpose of the project is to evaluate GRPU's present salary structure as compared to the specific job market for comparable positions in the public sector. The end product of the study will include the following: a comprehensive evaluation of roles within GRPU and their adherence to internal equity, the establishment of pay ranges, the establishment of benchmarking standards, salary surveys, identification of potential pay compression issues and their solutions, and an analysis of the present compensation structure to reach parity with the market. Additionally, we understand that the goal of this RFP is to create and implement a comprehensive compensation model to assist with recruitment and retention for the above-mentioned positions and be in compliance with the Minnesota Local Government Pay Equity Act.

We believe we will provide GRPU with the most diversely experienced project team of any consulting practice in the country, which enhances the solutions and recommendations we will provide. The questions and perspective provided by our team ensure we anticipate any issues GRPU may face throughout this project, as well as the ongoing management of the new system.



# Gallagher

Insurance | Risk Management | Consulting

We have completed over 500 classification and compensation studies for public sector clients in the last ten years. The experience we have gained in conducting these studies will inform our analyses and recommendations to GRPU.

There are several things that we would like you to know about our experience and qualifications, including:

- Our staff has proven themselves as compensation professionals not only by experience, but also through the attainment of the CCP (Certified Compensation Professional) designation from WorldatWork and/or IPMA-SCP designation from the International Public Management Association, and graduate degrees in Human Resources/Industrial Relations and Public Administration.
- Our smaller team structure and director interaction allow us to provide GRPU senior-level consultants who have the experience to guide you through this assignment to a successful conclusion.
- We have the technical experience, as well as sensitivity to the significant impact of compensation decisions to ensure results are appropriate for GRPU. Much of our work is with public sector organizations, many of which have similar objectives to this project.

We appreciate having the opportunity to submit this proposal and look forward to assisting GRPU in conducting this study.

Sincerely,

Ronnie Charles, SPHR, GPHR, IPMA-SCP  
National Managing Director

Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP  
Managing Principal



**Gallagher**

Insurance | Risk Management | Consulting

## TABLE OF CONTENTS

Agents and Address.....	Pg. 4
Statement of Methods and Procedures.....	Pg. 12
Management Synopsis.....	Pg. 16
Structure and Content of Work Product.....	Pg. 18
Work Schedule.....	Pg. 19



## AGENTS AND ADDRESS

**Identify who will be the project manager and key staff assigned if awarded. List the address, e-mail address, and telephone number of the office from which the services are to be provided.**

This assignment will be managed by the following team who will lead pertinent presentations and assist in leading the discussions on this project:

PROJECT ADVISORS	
National Managing Director & Practice Leader <b>Ronnie Charles, SPHR, GPHR, IPMA-SCP</b> <u>Ronnie_Charles@ajg.com</u> (651) 234-0848	Managing Director & Operations Leader <b>Erik Smetana, MBA, SPHR, SHRM-SCP, SWP</b> <u>Erik_HenrySmetana@ajg.com</u> (314) 494-4849
PROJECT DIRECTOR & PROJECT MANAGER	
Managing Principal <b>Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP</b> <u>Mike_Verdoorn@ajg.com</u>   (651) 234-0845 1600 Utica Ave., Suite 450, St. Louis Park, MN 55416	Senior Consultant <b>August Zhu, MA-HRIR, CCP</b> <u>August_Zhu@ajg.com</u>   (651) 234-0844 1600 Utica Ave., Suite 450, St. Louis Park, MN 55416
<p><i>Design and deployment of the overall effort, interface with GRPU, development of philosophy/strategy, discuss job evaluation methods, and the review and analysis of technical work and cost modeling.</i></p> <p><i>Leads the day-to-day work of the project team related to building the classification structure and the compensation survey to include quality assurance and timeliness of the deliverables.</i></p>	
OTHER PROJECT TEAM MEMBERS	



# Gallagher

Insurance | Risk Management | Consulting

***Provide resumes summarizing the qualifications and experience of the individuals who will be conducting the study. Include specific information on the staff's experience with public sector compensation. Describe successful outcomes.***

Gallagher fosters a commitment of excellence, professionalism, integrity, collaboration, and urgency to each of our clients. With each unique client, Gallagher combines these principles to deliver client services customized, specifically to meet your needs. Your Gallagher consulting team has years of experience consulting to public sector clients, including public employers, with a significantly diverse employee workforce. Each member of Gallagher's public sector compensation consulting practice has achieved one or more of the following certifications and/or degrees:

- Certified Compensation Professional from WorldatWork
- IPMA-SCP from the International Public Management Association for Human Resources
- Master's degree or above, in Human Resources, Business Administration, and/or Organizational Psychology.

The following case studies demonstrate our specific experience in conducting similar studies for other government organizations. The experience we have gained in conducting these studies will inform our analyses and recommendations to GRPU.



**RONNIE CHARLES, SPHR, GPHR, IPMA-SCP**

*Project Advisor*

***National Managing Director***

*30 years of experience*

Mr. Charles is responsible for leading Gallagher's public sector Human Resources & Compensation Consulting practice. Mr. Charles has over 30 years of Public Sector HR experience including Chief Human Resources Officer (CHRO) experience most recently in the City of Baltimore with additional professional stints in the District of Columbia, State of Virginia, and City of Suffolk, Virginia. Mr. Charles has a Bachelor's Degree in Management from Saint Paul's College. Mr. Charles is a member of several professional organizations, including the International Public Management Association for Human Resources (IPMA-HR) and is a past chair of the International IPMA-HR Professional Development Committee. In addition, Mr. Charles is a past Chair of the Human Resources Institute (HRCI). He brings vast experience in domestic U.S., and Global HR compensation practices. Mr. Charles is located in Virginia.

**ERIK SMETANA, MBA, SHRM-SCP, SPHR**

*Project Advisor*

***Managing Director***

*20 years of experience*

Mr. Henry-Smetana serves as a Managing Director with Gallagher's Human Resources and Compensation Consulting practice. In this role, Erik provides high quality consulting services by leading projects specific to client needs and managing relationships between Gallagher experts and clients. Erik's 20-plus year work history has led him to serve in a variety of diverse roles across human resource management, particularly in compensation and benefits, talent management and organizational development, people analytics, and employee relations and policy development. Erik has extensive experience in both private and public sectors, working with an eclectic mix of dynamic organizations including Fortune 500 companies across multiple industries, international not-for-profit organizations, membership associations, media outlets (e.g. NPR and NBC affiliates), institutions of higher education and research, and others. Prior to joining Gallagher, he served as the enterprise-wide Deputy CHRO with the University of Missouri System and for Vanderbilt University as the Executive Director of People & Engagement leading, designing, and implementing compensation and people-focused programs and initiatives. Erik has a Bachelor's degree in Psychology, an MBA, and Master's degree in Writing. He has previously earned professional certifications with the Human Resources Certification Institute (SPHR), Society for Human Resource Management (SHRM-SCP), and the Human Capital Institute (Strategic Workforce Planner and Human Capital Strategist).

**MIKE VERDOORN, MA-HRIR, CCP, IPMA-SCP**

*Project Director*

***Managing Principal***

*16 years of experience*

Mr. Verdoorn has been with Gallagher for 16 years and has experience working with public sector organizations across the United States. Mr. Verdoorn has led over 100 similar projects addressing compensation issues in complex organizations. He has a Master's Degree in Human Resources and Industrial Relations from the University of Minnesota and has earned his CCP certification from *WorldatWork*. Prior to joining the firm, he was a compensation analyst at Imation and at the University of Minnesota. Mr. Verdoorn is located in Minnesota.

**AUGUST ZHU, MA-HRIR, CCP**

*Project Manager*

***Senior Consultant***

*8 years of experience*

Mr. Zhu has a Bachelor of Science Degree in Human Resources from Shanghai Jiao Tong University and a Master's Degree in Human Resources and Industrial Relations from the University of Minnesota. Prior to joining Gallagher, he was a compensation analyst at BASF (China) and an organization development consultant at Bovis Consulting. Mr. Zhu is located in Minnesota.



## **BEVERLY MOULTRIE, SPHR, IMPA-SCP**

*Leadership Support*

## **Principal Consultant**

*20 years of experience*

Ms. Moultrie has over 20 years of human resources and compensation experience and a wide range of expertise working with large, mid-sized and start-up organizations (both public and private) in manufacturing, government, healthcare, and service environments. Ms. Moultrie is particularly adept at managing complex projects and has led the adoption of employee relation strategies and human resource systems where no prior system existed. Prior to joining the firm, Ms. Moultrie was the Chief Human Resources Officer with the City of Chattanooga where she partnered with Gallagher to lead the successful completion of the compensation study for the civilian and public safety workforce. In addition, she launched the strategic development of the City's equity & inclusion work with the Government Alliance on Race and Equity. Ms. Moultrie has a master's degree in business with an emphasis on organization development and is a certified senior human resource professional. Ms. Moultrie is located in Tennessee.

## **LARRY ROBERTSON**

*Leadership Support*

## **Senior Consultant**

*26 years of experience*

Mr. Robertson serves as a Senior Compensation Consultant with Gallagher's Human Resources and Compensation Consulting practice. In this role, Larry provides high quality consulting services by leading projects specific to client needs and managing relationships between Gallagher experts and clients. Larry's 26-plus year work history includes a variety of roles that included compensation, human resources information systems, recruiting as well as serving in a primary leadership role as acting vice president for human resources for several months. Larry has experience in both private and public sectors, working in a manufacturing environment before moving to higher education for the 21 years prior to coming to Gallagher. Prior to joining Gallagher, he served as Director of HR for Benefits, Compensation and HR Systems for Collin County Community College District (Collin College) in McKinney, Texas and as Director of Compensation and HR Systems for Oklahoma City Community College. Larry has a Bachelor's degree in Business Administration and a Master of Arts in Religious Education. He has previously earned professional certifications with the Human Resources Certification Institute (PHR and SPHR).

## **TED JAEGER**

*Leadership Support*

## **Senior Consultant**

*25 years of experience*

Ted has more than 25 years of leadership, consulting and HR Outsourcing experience in compensation program management at large, publicly traded corporations (Coca-Cola, Accenture, E\*TRADE Financial, ADP) and in higher education (Clemson & Emory Universities). Areas of specialty include job architecture/design, job evaluation, market pricing, internal/external equity reviews, project management, stock plan/executive compensation, and compensation systems implementations. He holds an MBA from Georgia State University, a BBA from The University of Georgia and resides in Johns Creek, GA (a northern suburb of Atlanta).





## **DEREK SMITH, PhD**

*Leadership Support*

Prior to joining Gallagher, Derek served as the National Executive Director of the Higher Education Recruitment Consortium and as a part-time consultant with Sawgrass Consulting, following more than 15+ years in higher education leadership roles at places like UNLV, Kansas State University, the University of Missouri System and the University of Pittsburgh. Derek has a Bachelor's degree in History, a Master's of Science, a Master's of Business Administration and a PhD in Public Policy and Leadership. He has earned professional certifications with the Human Resources Certification Institute (PHR), Society for Human Resource Management (SHRM-CP) and the Korn Ferry Leadership Architect.

## **Senior Consultant**

*15 years of experience*

## **SHARI FALLON CONSTANTINO, SHRM-CP**

*Leadership Support*

Prior to joining Gallagher, Shari worked for Cornell University as a Senior Compensation & Workforce Analytics Consultant for 24 years. In her role at Cornell University Shari was responsible for providing expertise and consultation to campus constituents and resolving conflicts among functional areas to support best practice standards. She developed and designed the institutional foundation for assessing, delivering and applying workforce planning analytics, advancing HR interests and shared responsibility in the consistency of practice across recruiting, compensation, staffing patterns, performance management, training and transaction processing. Prior to Cornell she worked in Human Resources for Retail and Health organizations. Shari has a Bachelor's Degree in Political Science/History from the College of St. Rose in Albany, NY and is certified as a Professional in Human Resource from the Society of Human Resource Management.

## **Senior Consultant**

*24 years of experience*

## **ALLEN JOHANNING**

*Leadership Support*

Allen has nearly 15 years of experience, working in compensation, people analytics, and workforce development and assessment within various healthcare organizations and higher education university systems. Allen began his career focusing on HR Information Systems, Workforce Development, Compensation and Process Improvement in the healthcare industry, working for a large university hospital health system as well as a standalone hospital that was part of one of the state's largest health system. He then transitioned to the University of Missouri System, which is comprised of four Universities and a health system, spread across the state. In his almost 10 years with the University of Missouri System, he held various individual contributor and leadership roles, focused mainly on Compensation and HR Data Analytics, spending the final 6 years as the Director of Compensation and HR Analytics. In that role he was responsible for the overall design, maintenance and day-to-day administration of the University's compensation practices and policies as well as advising academic and business & operations leaders across the organization to ensure they were equipped with meaningful and actionable workforce data that allowed them to make informed, data-driven decisions. Allen received his Bachelor's degree in Business Administration from the University of Missouri-Columbia. He also has previously earned certifications with the Human Resources Certification Institute (Professional in Human Resources) and the Human Capital Institute (Strategic Workforce Planning).

## **Senior Consultant**

*15 years of experience*

**AMINA SHAH, PHR, MPA**

*Staff Support*

**Consultant**

*6 years of experience*

Ms. Shah provides job classification and evaluation, pay equity, market research analysis, and related consulting and advisory services on a wide range of compensation projects. Prior to joining Gallagher, Amina worked in the public sector as Compensation Consultant. She has experience in comprehensive classification and compensation studies based on market benchmarks and trends. She has also served a key role in implementing innovative solutions including career ladder programs and supplemental incentive pay plans.

**JAIME PARKER**

*Staff Support*

**Consultant**

*15 years of experience*

Ms. Parker is a Consultant with Gallagher's Human Resources and Compensation Consulting practice. She has 15 years of experience in Higher Education with 7.5 of those years in compensation and organizational effectiveness. Prior to joining Gallagher, she worked at Kansas State University in Human Capital Services, and also in the Office of Institutional Effectiveness. Before her career in Higher Education, Jaime worked in the Banking Industry as a Banking Center Manager and Customer Service Manager. Jaime is a graduate of Kansas State University with a bachelor's degree in Accounting.

**CHASE HICKMAN, SWP**

*Staff Support*

**Consultant**

*13 years of experience*

Chase has 13 years of workforce analytics experience. Chase worked for the University of Missouri System as Lead HR Data Analyst and was a member of the UM Strategic Data Governance Council. He is experienced in both frequentist and Bayesian applied statistics in the HR domain; including workforce planning, quantitative policy research, and internal equity. Chase also has experience forecasting performance for large, self-insured medical and prescription drug plans. He has a Bachelor's of Fine Arts from the University of Missouri, and is certified in Strategic Workforce Planning from the Human Capital Institute.

**LUCILLE ZHANG**

*Staff Support*

**Consultant**

*2 years of experience*

Lucille has experience in the areas of compensation, talent management, training, and people analytics. Prior to joining Gallagher, Lucille served as a Compensation Analyst at Novelis, where she provided expertise in the administration and implementation of compensation programs. She also has worked at Willis Towers Watson to support clients across industries on executive compensation. Lucille earned a Bachelor's Degree in Psychology from Lafayette College and a Master's Degree in Industrial and Organizational Psychology from New York University.

**CHARMAIN KOHLER**

*Staff Support*

**Consultant**

*10 years of experience*

Charmain is a Consultant with Gallagher's Public Sector & Higher Education Practice with over 25 years of human resources experience in a variety of roles and industries. She has a Bachelor's degree in Business Administration with a concentration in Management from Saginaw Valley State University. Prior to joining Gallagher, she was the Senior Compensation Analyst at Numotion and at Saginaw Chippewa Indian Tribe of Michigan. Her professional experience also includes 10 years as a Human Resources Consultant in higher education.



**DEE SMITH**

*Staff Support*

**Associate Consultant**

*18 years of experience*

Ms. Smith is an established Human Resources professional that brings 18 years of comprehensive HR experience in several vertical industries in both the private and public sectors. Ms. Smith earned a Bachelor of Science degree in Human Resources Management and General Management from the University of Tennessee at Chattanooga and also holds an MBA. Ms. Smith is experienced in the areas of operations, recruitment, employee relations and benefits administration. Ms. Smith is located in Tennessee.

**MARIA ZELINSKY, MA-HRIR**

*Staff Support*

**Associate Consultant**

*3 years of experience*

Ms. Zelinsky graduated from the University of Minnesota with a Master's in Human Resources & Industrial Relations and with previous experience as a Product Development Chemist at 3M, Compensation Analyst at United Health Group and HR Generalist at Bridges MN. Ms. Zelinsky is located in Minnesota.

**MARY GAUTHE, SHRM-CP**

*Staff Support*

**Associate Consultant**

*5 years of experience*

Mary is an Associate Consultant with Gallagher's Human Resources & Compensation Consulting practice. Mary has 5 years of experience from Louisiana State University, where she's worked within the University's Central HR unit as a Compensation Consultant. Mary has a Bachelor's degree in Management with a concentration in Human Resources from Nicholls State University and is currently set to graduate from Louisiana State University in August with her Master's in Leadership and Human Resource Development.

**CARISSA MARTO, MA**

*Staff Support*

**Analyst**

*2 years of experience*

Carissa will provide staff support during all phases of this study. She has a Bachelor's Degree in Psychology from Anderson University (SC) and a Master's Degree in Industrial & Organizational Psychology from Middle Tennessee State University. Prior to joining Gallagher she held project based roles working in performance and promotional assessments related to test design.



## References

Our firm has assisted several hundred public sector clients throughout the country. These projects have included a range of less than 100 to more than 100,000 employees. Below are clients we have previously assisted. Contact information is listed for each project. These projects are relevant in demonstrating our ability to meet the needs of GRPU and show considerable experience reviewing and developing classification and compensation systems. Our references will attest to the timeliness, quality, and responsiveness of services we provide, as well as our knowledge of legal issues such as the ADA, EEO, and the FLSA, the classifications under study, and our skill and ability of dealing with organizations of your size and needs. We continue to provide ongoing services for many of our clients.

**City of Owatonna, MN:** We recently completed a compensation study for GRPU, after initially working with GRPU in 2015-16 to establish a new classification and compensation system. We have continued to support GRPU with job reviews and market studies. Emily Thamert, Director of Human Resources, 507-774-7345, [Emily.Thamert@ci.owatonna.mn.us](mailto:Emily.Thamert@ci.owatonna.mn.us)

**City of Marshall, MN:** We are currently engaged with the City in the conduct of a comprehensive classification and compensation study covering all the City positions. We are currently towards the end of the project and confirming compliance with the Local Government Pay Equity Act. Sheila Dubs, Human Resource Manager, 507-537-6790, [sheila.dubs@ci.marshall.mn.us](mailto:sheila.dubs@ci.marshall.mn.us). 344 West Main Street, Marshall, MN 56258.

**City of Blaine, MN:** We worked with the City to conduct a full classification and compensation study covering all City positions. We continue to work with the City to support their market data and internal equity needs. Cassandra Tabor, Director of Administration, 763.785.6154, [ctabor@blainemn.gov](mailto:ctabor@blainemn.gov). 10801 Town Square Drive NE, Blaine MN 55449.

**City of Hopkins, MN:** We have been providing the City with classification and compensation services since 2017. Additionally, in 2019 we completed a pay equity project for the City. Currently, we are providing the City with ongoing classification and job evaluation support. Ari Lenz, Assistant City Manager, 952-548-6303, [alenz@hopkinsmn.com](mailto:alenz@hopkinsmn.com). 1010 1st Street South, Hopkins, MN 55343.

**City of Red Wing, MN:** We worked with the City on completing a classification and compensation study from partial work completed by another consulting firm. This included reviewing market data collected and then collecting supplemental information. We also conducted a special market study for the public safety functions to develop a pay structure. Laura Blair Johnson, Administrative Services Director, 651.385.3699, [laura.blair@ci.red-wing.mn.us](mailto:laura.blair@ci.red-wing.mn.us). 315 West 4th Street, Red Wing, MN 55066.



## STATEMENT OF METHODS AND PROCEDURES

***Provide a statement describing the scope of work as you understand it. Describe the approach, means, methods, and procedures to be used to gather the data, analyze findings, and develop recommendations as requested.***

Our significant experience has resulted in a comprehensive understanding of the scope of work described by GRPU. Additionally, we understand the importance of this study as one of many strategies to address current human resources issues.

The purpose of the Compensation Study is to address changes in GRPU's operations and staffing, which may have affected the type, scope, and level of work being performed. The work plan we propose is designed to provide the flexibility necessary to attract, retain, and motivate employees to provide quality services and ensure the system is not an administrative and/or costly burden to GRPU now or in the future. Below is a summary of some key considerations we have followed in this type of project, followed by our approach to the areas identified by GRPU, and then our detailed work plan.

### **Key Considerations**

**Employee Involvement.** The study should be introduced so staff know what will happen and can ask questions, and then we suggest summarizing the study findings at the end of the project in an open session so they can see the results. Updates throughout the process will go a long way toward acceptance of the results. We believe that if employees know how and why they are compensated the way they are, they will accept the results better than if the system was created without their involvement.

**Leadership Sponsorship.** Updating classification and compensation systems requires strong and visible support of an organization's management and governance. We will seek to partner with GRPU project and institutional leadership in the full process to ensure understanding, which will enable more effective communication and acceptance.

**Internal Equity.** While market parity is important, most employees want to make sure that they are paid fairly in relation to other employees. We have extensive experience with designing pay systems that take into consideration internal equity and mitigate compression. This will be particularly important to the staff positions as market data may be more difficult to identify.

**Project Timing.** Doing it right produces a better study outcome than trying to meet unrealistic deadlines. This may require additional communication or conversations with key stakeholders in order to ensure understanding of the process, which will enhance acceptance.

**Data/Exceptions.** Rely on data, but make decisions based on humans. It has been our philosophy that the results and recommendations should be based on verifiable, auditable and valid data. Once the basic structure is in place, there may need to be adjustments for special conditions or other factors. However, the classification and compensation systems should be based on verifiable facts and solid professional standards.



**Communication.** These systems need to be understood. They need to be simple, straightforward and transparent.

**Pay Compression.** Attention needs to be paid to implementation costs when employees are placed in the pay ranges and there is potential for creating or increasing pay compression.

## ***Project Approach***

**Internal Equity** – We will evaluate each job title with the current job evaluation methodology to determine internal equity. Our project plan and cost reflect reviewing all GRPU job titles and ensuring internal consistency and accuracy of job functions. We have significant experience in applying job evaluation methods, but will work with GRPU to ensure our understanding of the method and the jobs. In many cases we will verify the current evaluations of GRPU and ask follow-up questions to clarify any questions.

**Market Comparison** - We will work with GRPU to identify the appropriate market data reflective of the environment for the positions by reviewing the current market data utilized by GRPU, and looking at broader market data. With the current peer institutions identified, we will also discuss additional survey sources to ensure GRPU is representing the comprehensive labor market, which may include public sector and private sector. We will review the labor market, with the goal of using for all job classifications, and review the benchmark job classes, representative of all job groups, purposes of collecting robust and competitive market data through published survey sources (i.e. WTW, CompData, ERI, Mercer). We will work with GRPU to select the benchmark jobs and ensure representation as many positions as possible.

**Salary Structure Development & Implementation Analysis** In this step, we assign all jobs to the right pay grade and all employees to the right place in the range based on agreed upon criteria or market data. During this phase, we also discuss how pay progression is integrated in a sustainable system that grows with GRPU and allows for employee development and contribution to goal achievement. We will provide a Plan Document to provide GRPU with guidelines to administer the new plan to employees. Up to three implementation scenarios will be provided to GRPU.



**Final Report** - Our final report will be prepared which outlines the process, methods, techniques and findings and recommendations of the study. It will include a financial impact analysis and recommended ways to implement and maintain the system in the future. We will provide the data in a format that can be used to update your HRIS system based on your implementation approach. Finally, we will train the HR staff in the proper procedure and methods to manage and maintain the system. Additionally, we will provide the necessary documentation and other materials so GRPU will be able to maintain the system independent of the consultant following implementation.

## **Work Plan**

Your Gallagher consulting team respects the uniqueness of each project and strives to customize our approach to the specific needs of every organization. Every phase of our work plan includes activities designed to assist GRPU with appropriate stakeholder communications. This work plan will help GRPU achieve its identified objectives.

### **PHASE 1: STUDY INITIATION & STRATEGY DEVELOPMENT**

#### **Project Initiation**

Meeting via telephone/virtual platform to initiate project and discuss timelines and key deliverables with GRPU leadership.

Organization & salary material collected.

Discuss if employee orientation presentations are needed.

#### **Project Strategy**

Discussion/review of the strengths and weaknesses of GRPU's current classification & compensation systems with project team.

Determine labor market for collection of market data. Labor market reviewed and confirmed by GRPU.

Determine benchmark jobs and comparable peer organizations to include in the survey.

#### **Project Management**

Provision of progress reports for GRPU project staff. Gallagher will provide frequent updates to the Human Resources Director and/or designees.

Development of a project plan that will describe the milestones and integrate communication timing to support GRPU's understanding.

Conduct of meetings with the leadership/project team at critical intervals to discuss deliverables.



## PHASE 2A: CLASSIFICATION & JOB EVALUATION STUDY

### Classification Review

Analysis of existing classifications and recommendations on any changes to current classification plan.

Review and analysis of *current job descriptions/documentation approved by management* for all employees covered by the study.

Review exempt and non-exempt classifications to ensure proper classification for all employees.

Recommendation of revisions as necessary to the classification and titling structure. For example, potentially identifying where job titles could be consolidated for the development of a job family structure that integrates into the compensation philosophy.

## PHASE 2B: COMPENSATION STUDIES

### Compensation Study

Determine labor market for collection of market data. Labor market reviewed and confirmed by GRPU.

Determine benchmark jobs and comparable peer organizations to include in the survey.

Conduct custom survey of comparable peer organizations.

Identify appropriate published survey sources provided by GRPU and supplemented by Gallagher for staff, management and faculty positions.

Collect market data from published survey sources using data cuts from public sector, private, local, state and regional sources.

Competitive analysis performed to determine how GRPU compares in job titles, function, and employee groups.

Analysis of current salary structures conducted to identify opportunities for simplification and updates to support the compensation philosophy.

Comprehensive internal salary and benefit relationship analysis of data to ensure the structure is internally equitable and externally competitive.

Examine other key compensation practices and recommend changes including minimum wage impact.

Recommended pay structure developed or existing structures updated (includes 1 revision if requested).

Internal review conducted and consolidated feedback provided by GRPU. GRPU approves the updates to the pay plan(s) and other recommendations and implementation options.

Provide GRPU with up to three (3) transition options, recommendations and next steps/ongoing maintenance.





## PHASE 3: PROJECT FINALIZATION, DRAFT & FINAL REPORTS

Conduct of meetings with the leadership/project team at critical intervals to discuss deliverables.

Draft and final report and presentations developed.

Development of a compensation administration document with recommended approaches on salary and benefit administration for GRPU to update policies.

Training provided for staff including necessary tools to maintain the system.

*Virtual meetings included. On-site visits are available at an additional charge to GRPU.*

## MANAGEMENT SYNOPSIS

***Provide a synopsis prepared for management review, covering the significant features of the proposal including overall costs and term of work.***

### ***Communication***

Our firm considers senior management, human resources and general staff engagement essential to project success. We recommend GRPU ensure key stakeholders are apprised of all project activities and provide periodic status updates on study progress throughout the engagement.

We recommend the following actions to ensure appropriate management and administration of the project from a consulting and City perspective:

1. **City Project Manager:** A Project Manager should be appointed to manage the project internally from beginning to end. We also recommend that an administrative support person is also allocated to the project in order to support the Project Manager.
2. **Regular Status Meetings, Written Updates, and Conference Calls:** Every two weeks, a conference call meeting should be established with GRPU's Project Manager and the Gallagher Project Manager to discuss the schedule, status and issues regarding the project. We recommend 30 to 60 minutes for this discussion. Gallagher will provide regular project status updates to GRPU's Project Manager or his/her designee. During certain periods of the project (i.e. data collection and analysis) it may be reasonable to provide regular written updates in lieu of meetings as agreed to and appropriate.



3. **Regular Steering Committee and Executive Meetings:** GRPU should also provide regular updates to GRPU leadership.
4. **Regular Employee Communications:** GRPU should inform employees on a regular basis regarding the status of the project.

### **Professional Fees**

Our fees to conduct the compensation study outlined above (including out-of-pocket expenses) is detailed in the table below per phase.

Phase	Fees
Study Initiation & Strategy Development	\$10,000
Classification & Job Evaluation Study	\$15,000
Compensation Study	\$30,000
Project Finalization, Draft, & Final Reports	\$10,000
<b>TOTAL COST (inclusive of all tasks): \$65,000</b>	

- On-site meetings are available at an additional cost
- Should GRPU request Gallagher to update/write job descriptions, those services will be priced separately since we are unable to determine the number that will be required. Pricing would be \$550 per job description and is in addition to the "Total Cost" identified above.

Our study costs are directly derived from estimating the number of hours needed to perform the work and the level of the consultant charged with performing the work. Gallagher typically bills on a flat monthly basis that is based on the total project fee and the number of months of the project. With the last invoice sent upon project finalization. All expenses are included in this quote.

All proposed fees throughout this proposal for the respective consulting services assume meetings will take place via teleconference or webinar. In the event on-site visits are requested, they will be billed at actual cost for time and travel and these costs will be discussed with GRPU for approval.



Staffing Level	Hourly Rate
Managing Directors	\$520
Principal Consultants	\$495
Senior Consultants	\$455
Consultants	\$210-\$365

### **Available Resources & Overall Value**

Gallagher consultants evaluate and consider each Request for Proposal before determining if we have the capacity to conduct the requested services. We can confirm that we not only have the capacity, but the skills and expertise to successfully deliver the requested services to GRPU.

Additionally, we are confident we have provided our most cost-effective and best approach. We have included all products and services which are necessary to provide innovation as well as the functional capabilities proposed in our response.

We take pride in our creativity and track record in developing innovative solutions to compensation and benefit issues. We spend considerable time and effort in researching and exploring trends and technical issues to develop and test approaches not usually considered by other consulting firms that help inform innovative compensation program solutions.

## **STRUCTURE AND CONTENT OF WORK PRODUCT**

***Provide a detailed breakdown and description of the specific steps, services, and study products that will be provided. Describe how the final product will be structured and presented upon completion.***

As previously noted, the final report will be prepared which outlines the process, methods, techniques and findings and recommendations of the study. It will include a financial impact analysis and recommended ways to implement and maintain the system in the future. We will provide the data in a format that can be used to update your HRIS system based on your implementation approach. Finally, we will train the HR staff in the proper procedure and methods to manage and maintain the system. Additionally, we will provide the necessary documentation and other materials so GRPU will be able to maintain the system independent of the consultant following implementation.



## WORK SCHEDULE

**Provide a timeline indicating tasks required and the start and completion dates for each.**

### Schedule

The following is an estimate to complete each phase by month. We will discuss the details of each phase during Phase 1 and identify specific deadlines for the project at that time. We will conduct frequent conference calls with GRPU to ensure the schedule is monitored throughout the project. We have built a timeline below that allows for appropriate decision-making time from GRPU, participation delays, and potential need to research market data from non-participating organizations. The timeline below is realistic based on our experience.

Month	PHASE 1 Study Initiation & Management	PHASE 2A Classification & Job Evaluation Study	PHASE 2B Compensation Study	PHASE 3 Project Finalization, Draft & Final Reports
1				
2				
3				
4				
5				
6				
7				
8				



# Gallagher

Insurance | Risk Management | Consulting

\* \* \* \* \*

Thank you for this opportunity to offer our services. Please feel free to contact us at any time if you have any questions or require additional information. We look forward to hearing from you soon.

Sincerely,

Ronnie Charles, SPHR, GPHR, IPMA-SCP  
National Managing Director

Mike Verdoorn, MA-HRIR, CCP, IPMA-SCP  
Managing Principal

Consulting and insurance brokerage services to be provided by Gallagher Benefit Services, Inc. and/or its affiliate Gallagher Benefit Services (Canada) Group Inc. Gallagher Benefit Services, Inc. is a licensed insurance agency that does business in California as "Gallagher Benefit Services of California Insurance Services" and in Massachusetts as "Gallagher Benefit Insurance Services." Neither Arthur J. Gallagher & Co., nor its affiliates provide accounting, legal or tax advice.

# Classification and Compensation Study Report

## Client, USA

*Proprietary material: May not distributed to parties external to the organization's proposal evaluation committee.*



**Gallagher**

Insurance | Risk Management | Consulting



# Study Background

## Overall Study Objectives

- Client stated the following objectives and goals for the study:
  - Review of the current classification specifications to ensure appropriate alignment with business needs and recommend changes to the classification system.
  - Identification of appropriate career paths for related classifications within the Client structure.
  - Recommendation of appropriate FLSA designation for each classification.
  - Utilization of a methodology to determine the relative internal value of each classification, so that a fair and equitable compensation structure is established.
  - Conduct of a comprehensive compensation review of each classification, using current benchmark compensation surveys and other data collection methods.
  - Development of a new pay structure(s) based on internal equity and market results.
  - Conduct of an analysis of the financial impact for implementation of the new classification and compensation plan including funding issues identification.
  - Preparation of a final report to include all findings and recommendations for each phase.
  - Recommendation of a review/appeal process to find resolution to classification-related disputes.



**Gallagher**

Insurance | Risk Management | Consulting

# Study Background

## History

- (Client) engaged Gallagher Benefit Services, Inc. (GBS or Gallagher) to conduct a classification and compensation update study of its jobs.
- Gallagher consultants met with Client officials to discuss the study process and initiate the development of classification and compensation strategy statement.





# Study Background

## Strategy – Classification Components

- The classification system will consist of broadly defined classes that reflect the essential duties and responsibilities performed by incumbents in each class. This approach will facilitate flexibility in assignments to individual employees within the job classification.
- Where practical and feasible within each occupational group, there will be an opportunity for career advancement and the differences in job levels will be clearly defined and legally defensible.
- Client is dedicated to recognizing the value of both, formal supervision and designated subject matter experts that desire to advance within a technical non-supervisory track.
- The job evaluation will be used to establish the relative internal value and relationship of all jobs within the Client based on its applicability to broad classifications. This will ensure that disparate jobs are placed in a consistent manner within the Client's compensation structure.



# Study Background

## Strategy – Compensation Components

- The compensation system will reflect both internal equity and external parity within the various labor markets in which the Client must compete. The system will also compensate employees who perform at acceptable or standard levels and recognize employees who perform at above standard levels within their respective job class.
- Labor Market definition:
  - For management and executive level jobs and identified professional jobs, the labor market will include \_\_\_\_\_ for major metropolitan areas throughout the nation. The market will also include major cities and counties within the metropolitan area, regional and national jurisdictions/municipalities; as well as any appropriate private organizations. The organizations will be similar in character and serve similar size populations as the Client.
  - For professional level positions, the labor market will include major public and private sector employers in the metropolitan area and southeast region having jobs with similar scope and with whom the Client competes for such employees.
  - For defined and operational job classes (FLSA non-exempt jobs), the labor market will consist of public and private sector employers within the metropolitan area and the southeast region.
- Each job classification will have a market rate set at the midpoint of the salary range and established by the 75<sup>th</sup> percentile of the actual salaries of the market.



# Classification

## Process

- Gallagher developed a Position Description Questionnaire (PDQ) in order to collect job information on Client employees' positions. Meetings were conducted with Client employees to introduce them to the PDQ document and study process as well as offer them an opportunity to ask questions and provide feedback.
- Gallagher consultants also met with Client employees in occupational panels to discuss their jobs, ask questions and create additional understanding of process and job structure within Client.
- Using information gained from the PDQs, occupational panel process, current job descriptions, and organization charts, Gallagher developed preliminary classification structures organized by job/career families. Client reviewed those structures and provided feedback resulting in finalized classification structures.
- A job evaluation process was also applied to each individual classification with the classification structures.
- FLSA recommendations were also provided to Client. Client made the final FLSA decisions.



# Classification

## Process (Cont'd)

- The resulting classification structures, classification titles and job evaluation ratings are summarized on pages 16-29. Detailed classification structure information has been provided to the Client under separate cover.
  - Client may have made modifications to the classifications titles within the survey process and after provision of the allocation report provided by Gallagher.
- Employees were allocated to the new classifications based on the information contained within their respective PDQ forms with further review from Client.
  - Client may have updated these recommendations from the original report provided by Gallagher.



# Job Evaluation

## Methodology

- To assess the different levels of job value using a formal method of job evaluation was adopted by Client as the methodology addressing the internal alignment of work.
- Job Evaluation
  - Uses a defined methodology to determine the relative value of jobs within an organization.
  - Provides an objective and documented method for job analysis and evaluation.
  - Provides the basis for determining pay.



# Survey Sources

## Surveyed Comparator Organizations

- Client and Gallagher identified 33 public or quasi-public organizations for survey. Data included in the summary results include 24 organizations for a survey participation rate of 72.7%.
- Those organizations shown on the following page in black text participated in the survey. Data was obtained for those organizations shown in green text using available website data.



# Survey Sources

## Published Survey Sources

- The following survey sources were reviewed in the collection of salary data and appropriate data was utilized.

Published Survey Sources	Type of Data Collected
Willis Towers Watson Surveys-Private Sector	Private
CompData-Private Sector	Private
Mercer Surveys-Private Sector	Private
ERI Database-Private Sector	Private
PRM Not for Profit Survey	Not for Profit



# Survey Process and Analysis

## Process

- Survey benchmarks were selected and recommended by Gallagher. Upon review by Client, updates were made and the final benchmark listing was approved by the Client for survey.
- A survey document including requests for salary and pay practices information was developed by Gallagher and sent to Client for review and approval.
- The survey was distributed by email and numerous contacts were made by telephone and email to encourage participant response.
- Contacts were also made to ask questions and ensure appropriate and valid data was provided to the survey.
- Not all participating organizations responded to every question.





# Survey Process and Analysis

## Time Adjustments

- The effective date of the salary data was XXXXX.
- All published survey sources were adjusted to the XXXXXutilizing data obtained from WorldatWork's Salary Budget Survey for XXX in accordance with the following annualized factors:
  - Salary adjustment factor: 3.0%
  - Salary structure adjustment factor: 2.0%



# Survey Process and Analysis

## Geographic Adjustments

- Both the survey and published data were adjusted geographically to conform to the XXX area as calculated by the Economic Research Institute (ERI). Geographic differential figures reflect wage and salary differentials for each surveyed location. These actual data adjustment figures are effective as of XXXXX and are shown on the next page.



# Survey Results

## Pay Practice Results

- The following charts show the information collected from the survey process and compare market data to Client's pay practice information.

GENERAL INFORMATION				
	Client	Survey 25th Percentile	Survey 50th Percentile	Survey 75th Percentile
<b>Operating Budget for FY17/18 (Million):</b>	80.2	22.5	212.6	1340.0
<b>Total Population Served (Million):</b>	4.5	1.1	3.2	5.8
<b>Number of FTEs as of June 1, 2018:</b>	190	95	244	4,674
<b>Effective Date of Current Pay Scale :</b>	XXXX	XXXX - 47% of all responses XXXX - 42% of all responses XXXX or earlier - 11% of all responses		



# Survey Results

## Salary Data Results

- The following charts show the information collected from the survey process and compare market data to Client's pay range and actual salary information.
- Several Client jobs have been consolidated into new classifications during the classification phase of this study. Client summary comparison data may be represented by the following:
  - Actual salary: average of all incumbents in all consolidated jobs.
  - Pay range: lowest minimum and highest maximum of all consolidated job grades.
- The charts and graph includes data from all sources weighted 25% Published Data Sources and 75% Survey Data.
  - (Please note that data is weighted at 100% of data from either source/datacut if data from one or the other source is unavailable.)
- The difference from the market for each benchmark is calculated as the following:  
Client data minus Market data divided by Market data.
  - A positive figure indicates that Client pays above the market.
  - A negative figure indicates that Client pays below the market.



# Survey Results

## Salary Data Results-Actual Salary Comparison

BM #	Benchmark Job Title	Client Actual Salary	Market 25th Actual Salary	Market 50th Actual Salary	%diff. Client&MKT 50th	Market 75th Actual Salary	%diff. Client&MKT 75th
43	Planner						
44	Planner, Senior						
45	Planner, Principal						
46	Planning Coordinator						
47	Planning Administrator						
48	Program/Project Analyst						
49	Program/Project Analyst, Senior						
50	Program/Project Analyst, Principal						
51	Program/Project Coordinator						
52	Program/Project Administrator						
53	Engineer						
54	Talent Management Generalist						
55	Talent Management Generalist, Senior						
56	Talent Management Coordinator						

<b>Total Difference</b>							
-------------------------	--	--	--	--	--	--	--



# Survey Results

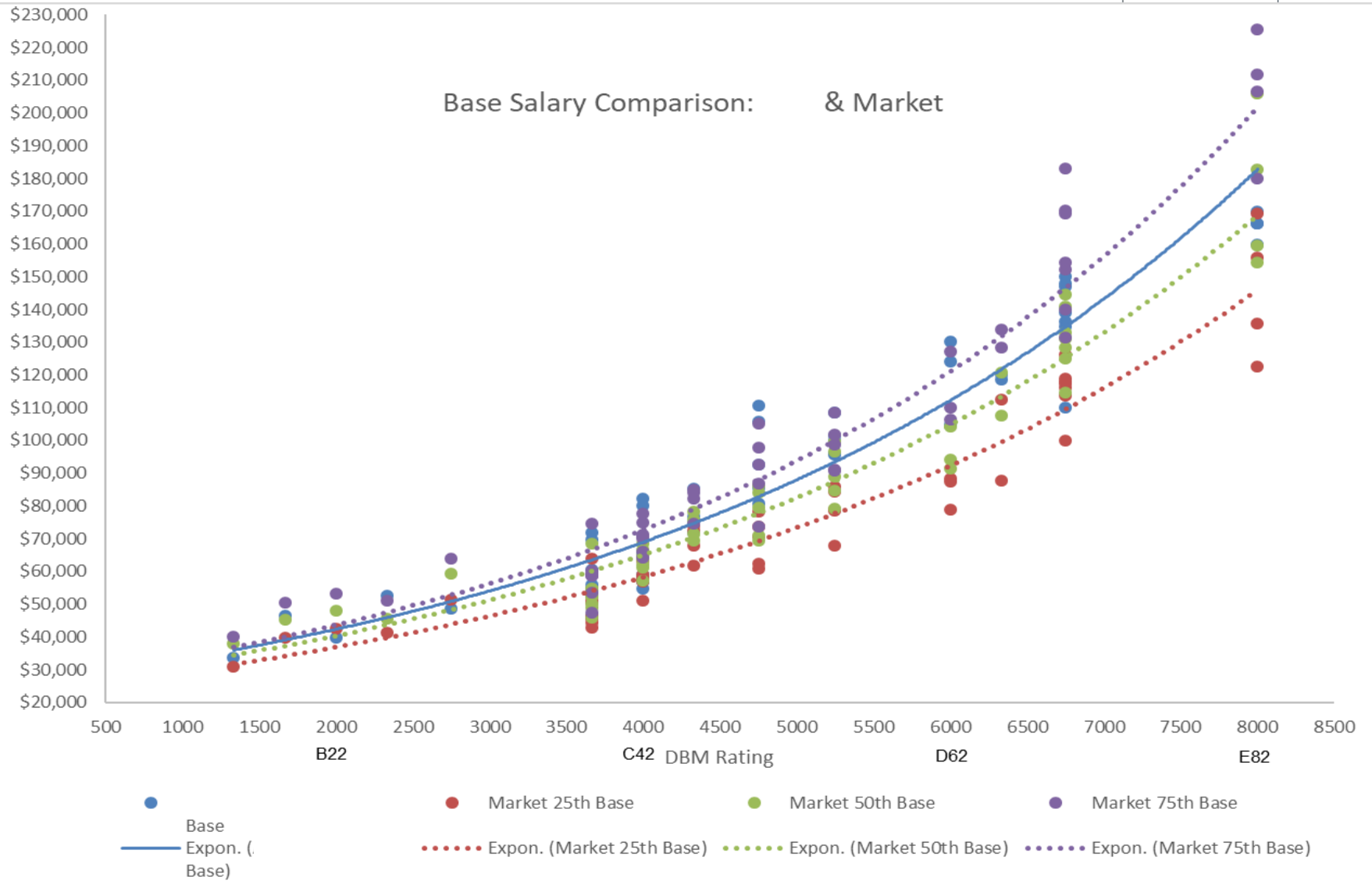
## Results Graphs

- Graphical representations (scattergrams) of the salary and pay range comparisons are shown on the following pages.
- The graphs exhibit the salary figures (which are shown as plot-points) and the resulting pay trends (trend lines) for both the Client and the market.
- The trend lines were calculated using a statistical procedure called regression analysis, also known as “line of best fit”. It considers all the salary figures (data points) and their corresponding grades to develop one continuous pay line from the lowest level to the highest level.



# Actual Salary Comparisons

### Base Salary Comparison: & Market





# Conclusions

## Data Summary

- The following guidelines are used by Gallagher and recognized as accepted compensation practice when determining the competitive nature of current pay practices when compared to the market:
  - +/-5% (Highly Competitive)
  - +/-10% (Competitive)
  - +/-11-15% (Misalignment with market)
  - > +/-15% (Significant misalignment with market)

Data	Actual Salary Comparisons		Average Pay Range Comparisons		
	Median	75th Percentile	Minimum	Midpoint*	Maximum
Market	6.3%	-8.4%	-6.6%	n/a	2.3%
Market Position	Competitive	Competitive	Competitive	n/a	Highly Competitive





# Recommendations

## Pay Model

- Client's accepted strategy is the 75th percentile of the market actual salaries and is to be the pay target for the new pay system's midpoints.
  - Pay range minimums and maximums were calculated based on the midpoint calculated by the regression model of the DBM ratings and market data and pay range width.
- The assigned pay range of the employee will be based on the DBM<sup>®</sup> rating of the classification/position.
- The recommended pay plan is shown on the next page.



**Gallagher**

Insurance | Risk Management | Consulting

# Recommendations

## Pay Model



# Conclusions

## Cost to Implement

- The cost to implement each pay model is outlined on the next page and includes the cost to place all employees within the new pay ranges and at least at the minimum of the new pay ranges.
- The implementation strategy/plan is based on the following aspects:
  - No pay cuts will occur.
  - Employees will be paid within the new pay ranges meaning no employees will be paid below the minimum of the new ranges.
  - Salaries may fall above the new pay range maximum.
  - Changes to these amounts in the future will be affected by changes to the employee information provided by Client as of XXXX.
  - New employees after the allocations were made as of the end of June were allocated based on the current Client job titles and not the new classification titles.



**Gallagher**

Insurance | Risk Management | Consulting