

UNIVERSITY *of* ALASKA

Staff Alliance

To: Patrick Gamble, President, University of Alaska; Fuller Cowell, Chair, and Members of the Board of Regents

cc: Beth Behner, Chief Human Resource Officer
Donald Smith, Executive Director, Employee and Labor Relations

Thru: Juella Sparks, Chair, Staff Alliance

From: Staff Alliance - Compensation Working Group

Date: September 21, 2011

RE: Staff Compensation: FY13 Increase Recommendations

The University of Alaska Staff Alliance Compensation Working Group would like to thank the University of Alaska Board of Regents and President Gamble for inviting our input into the staff compensation for the FY13 budget. During our meetings, the committee was able to identify several specific concerns and recommendations that will be outlined in this letter.

Concerns

- The University of Alaska has not replaced the step increases, which were discontinued in FY09, with a mechanism that would reflect longevity (a recognition of the gain in experience and institutional knowledge) or any staff increase not related to the CPI. In the past an average 2.6% annual step increase could be relied upon for personal budget planning, with the added possibility of an additional 2% cost of living grid increase at the Board's discretion.
- Historically UA Staff have experienced a net increase ranging from 2.6-4.6% annually. Regardless of recent increases of 2.5%, UA staff lag behind state employees who typically receive a grid roll (COLA), plus up to 3.5% annually until they reach step "J" (est. seven years) after which they receive 3.75% biannually.
- Since the FY09 change in staff compensation policy, staff increases have been compared to and justified by across the board increases in other UA and state contracts. However, staff do not receive other compensation adjustments included in these contracts.
- We are concerned that the University of Alaska's recent lag in pay increases has hindered professional recruitment and retention due to labor market competition.
- The FY12 across the board increase of 2.5% did not offset the added financial risk assumed by staff in the new health care plan or acknowledge other components of CPI.
- There was a significant cost shift in UA Healthcare Plan. The plan now puts a significant financial risk on staff members. Although staff may not fully realize the impact of the increased deductible on personal finances at this time in the plan year, there is significant concern in out of pocket costs over the next ten months. This year staff are faced with an increase in deductibles of 2-5 times and with an out-of-pocket maximum increase as much as 6 times over the previous plan year.

Staff members are alarmed that the net effect of the previously stated concerns have resulted in a consistent decrease in staff compensation and desire a change to the course in compensation.

Recommendations and Rationale

Given inflation, recent increases in employee health care contributions and the loss of set employee step increases, this committee feels that an increase of up to 4.6% is an appropriate request. This committee acknowledges the political and economic realities facing the Board and University of Alaska and recommends a minimum of a 3.5% increase, with a strong case for a 4.6% increase. In return, we hope that the Board also remembers that staff members are facing tough economic realities at home.

The Federal Department of Labor is reporting that the CPI is up 2.8% over this same time last year and is expected to continue to climb. We *strongly* feel that UA should not only recognize this cost of living increase, but the importance of retention and longevity and continue to do so until such time that these compensation components are once again provided for in policy.

Additional Action Requested of the Board of Regents and Administration

We urge the Board to work with the administration and staff towards the compilation of a compensation policy. This policy should be data driven and provide for state and federal employee comparisons. We are confident that with directed effort, governance leaders and the administration can collaboratively produce a policy meeting the needs of all parties. We recommend starting the process immediately so this can be ready for implementation in FY14. This policy should plan to cover all types of compensation increases to include, but not limited to: COLA, longevity, merit, geographic differential and a possible market survey.

Other Concerns Under Committee Review

During our meetings, the Staff Alliance Compensation Working Group grew concerned about the impacts of recent changes to the University of Alaska compensation system. As a result, this committee will be researching and monitoring health care costs, salary compression, geographic differentials, and impact of all on staff retention.

- Governance groups have just been informed that there will be an increase in biweekly healthcare contributions in FY13. Although staff are appreciative of the increased benefit in preventative healthcare this year, we remain extremely troubled over the current and future fiscal years' financial impacts, specifically the foreseen reduction in net take home pay and other possible FY13 changes to the healthcare benefits.
- Currently UA is faced with salary compression. The grid increase should represent true COLA increase, with the longevity increase represented by moving staff up the grid.
- The current geographic cost differentials issued by the Alaska Department of Labor must be compared to the University's geographic pay differentials, and adjusted accordingly.
- How has the loss of the step increase affected staff retention?

Members of this committee will return to report on this research at a future Board of Regents meeting. We thank President Gamble and the University of Alaska Board of Regents for the opportunity to present staff concerns and recommendations. Should additional information be needed, our best contacts are the Compensation Committee Co-Chairs.

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