

THE TOWN OF HOLLISTON

FINAL REPORT CLASSIFICATION AND TOTAL COMPENSATION STUDY

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EXHIBITS

1. Employee Orientation Presentation
2. Guidelines for Job Description Review
3. Job Description Questionnaire
4. Sample Job Description
5. Classification Plan and Classification Manual
6. Market Survey Detail by Position
7. Market Survey: Additional Compensation and Benefits
8. Summary Presentation Department Heads
9. Summary Presentation Employees
10. Management Structure (1.5%)
11. Management Structure (2.0%)
12. Management Performance Assessment Form (Example)



Study Objectives

The Town of Holliston retained Stone Consulting, Inc. in November 2011 to conduct:

- a classification and compensation study of approximately thirty-five job titles covered under the Town's Personnel By-law, and
- a total compensation (compensation and benefits) assessment of positions (Town and School Department).

Specific objectives by project are listed below:

Classification and Compensation Study of Thirty-Five Positions

Objectives for the classification and compensation study included:

- ensuring job descriptions were up-to-date, reflective of essential functions under the Americans with Disabilities Act, consistent with other federal and state statutes, and presented in an easy to read and understandable format,
- reviewing market survey data gathered through a total compensation survey to determine total compensation competitiveness of Holliston's positions to those within the Town's target labor market,
- classifying positions and assigning each position to a pay grade that is both internally equitable and externally competitive,
- assessing compensation administration procedures (including the pay structure, pay increase system, additional compensation practices, and pay policies and practices), and making recommendations for change, as needed,
- providing implementation costing options and recommending implementation guidelines, and
- documenting the study with a Final Report and Position Evaluation Manual so that the Town can successfully administer the program without ongoing consulting assistance.



Total Compensation Assessment of Town and School Department Positions

Objectives for the total compensation study included:

- conducting a market survey of compensation and benefit practices to determine overall competitiveness of Holliston's total compensation package to those within the Town's desired target labor market,
- reviewing pay and benefit policies and practices across union and non-union populations to determine whether they are in alignment with Town goals and financially sustainable,
- providing recommendations for possible plan design changes that better align benefits with the Town's total compensation and benefits strategy and philosophy.

We have prepared this report to cover non-union positions and make observations of compensation philosophy, strategy and benefits. As the remaining positions are covered under collective bargaining agreements we have prepared separate reports for Schools (Teachers, Maintenance Workers, Aides, School Secretaries and Cafeteria Workers), Police and Highway/Water positions in order for the Town to use in future negotiations with employees covered under these agreements.

We thank the Town of Holliston for retaining Stone Consulting for this assignment. Our report provides an Executive Summary of our findings and recommendations, an overview of the study's methodology, and supporting documentation of our findings. We have labeled with a check mark (✓) our key recommendations and action items for the Town to consider.



Executive Summary

TARGET LABOR MARKET

The Town of Holliston is to be commended for undertaking a Town-wide review of their total compensation practices. These reviews are rarely undertaken as the authority for total compensation management does not typically rest with one group. School Department compensation issues fall under the School Committee and School Superintendent, the majority of these positions being covered under collective bargaining. The Police Department also is managed through collective bargaining. This leaves Town Hall positions that often get the greatest scrutiny as their compensation is managed by the Town Administrator, Selectmen (especially as it relates to personal contracts with management staff) and the budgeting of compensation and benefits through the Finance Committee.

As decision making about compensation is managed by different parties, it is not unusual that differences in strategy and pay practice exist across position populations. As a result of our review of total compensation for the Town of Holliston our key recommendation for the Town to consider moving forward is to define with what type of communities Holliston wants to compare total compensation levels. Our study for Town Hall clerical and administrative staff focused on fourteen selected communities that were picked by the Town Administrator and Finance Committee at the project's outset to be reflective of Holliston's demographics: census, operating budget, per capita income, equalized property valuation/census, predominantly residential tax base and identity as a commuting Town.

It should be noted that when meeting with the Chair of the School Committee, that the School Committee defines their competitive target labor market as those School Districts that are part of The Education Cooperative (TEC), that identify themselves as "a regional multi-service agency dedicated to delivering effective and economical solutions to suburban communities West of

Boston.” TEC provides for group purchasing among its members, professional development and licensing, as well as the delivery of regional special education services.

In the left-hand column are those communities selected by the Finance Committee and Town Administrator for the Town Hall total compensation study. The right-hand column includes those school districts that are part of TEC. In the middle is the degree of overlap.

TOWN HALL	OVERLAP	SCHOOL DEPARTMENT
Ashland		
Bellingham		
		Canton
		Dedham
		Dover
		Dover-Sherborn
		Framingham
Grafton		
	Hopkinton	
Maynard		
	Medfield	
Medway		
		Millis
		Natick
		Needham
North Reading		
Northborough		
		Norwood
Pembroke		
Sharon		
Swampscott		
Uxbridge		
		Walpole
		Wayland
		Westwood
Wrentham		

Based upon the target labor market comparison selected for Town Hall positions, Holliston compares as follows:

TOWN HALL (14 COMMUNITIES)

	2010 Actual US Census	FY'13 Income per Capita Cherry Sheet	2010 EQV/ 2009 US Census	FY2010 Operating Budget
Average	14,514	42,614	160,926	50,301,892
25th %ile	12,928	32,514	138,605	44,583,463
Median	14,524	40,490	157,320	50,875,318
75th %ile	16,528	49,067	181,886	54,787,478
HOLLISTON	13,547	42,892	160,495	52,999,320
Holliston to Median	-6.7%	5.9%	2.0%	4.2%

Whereas, a comparison to these same demographics for the TEC communities compares below:

TEC COMMUNITIES

	2010 Actual US Census	FY'13 Income per Capita Cherry Sheet	2010 EQV/ 2009 US Census	FY2010 Operating Budget
Average	21,524	63,424	223,518	87,606,982
25th %ile	12,267	37,837	170,643	53,307,788
Median	18,243	53,770	205,892	73,014,429
75th %ile	27,634	71,740	260,535	109,916,318
HOLLISTON	13,547	42,892	160,495	52,999,320
Holliston to Median	-25.7%	-20.2%	-22.0%	-27.4%

This indicates that the School Department is making comparisons to communities that, on average, are significantly larger than Holliston. As we find that the factors that best relate to pay are income per capita and operating budget, it is likely that Holliston's pay for comparable positions within the schools is higher than those in Town Hall.



When establishing a total compensation philosophy, most organizations state that their goal is to provide *equitable* and *competitive* total compensation to attract and retain qualified staff. This becomes challenging when communities establish different target labor markets for positions.

While it is justifiable to lean towards the market's valuation of a position in determining pay, we recommend that a careful review of that target labor market needs to be conducted. Having comparable markets for secretarial/clerical, custodial/maintenance, finance and information systems positions across both populations makes sense as the potential exists that these employees could transfer across departments.

Below we have made comparisons to those communities selected as the target labor market by Administration/Finance Committee to various demographic statistics provided by the Massachusetts Department of Education.

TOWN HALL (14 COMMUNITY COMPARISON)

	Enrollment (2011-12)	# of Teachers (2010-11)	Expenditures (2011) \$	Per Pupil \$	ELA	Math	S&T/E	SAT R	SAT W	SAT M
Average	2,842	212.80	35,382,281	12,089	95.3	90.9	92.3	546	549	577
25th	2,738	188.96	31,704,020	11,967	93.1	87.7	88.0	534	533	542
Median	2,495	171.25	26,974,622	11,544	90.9	86.3	85.1	512	511	518
75th	2,748	196.00	31,388,727	11,925	93.9	88.5	88.9	533	534	541
Holliston	3,327	207.88	33,422,807	12,334	95.3	90.5	90.9	554	558	556
Holliston to Median	3.4%	8.6%	12.7%	1.4%	1.5%	2.8%	3.8%	2.4%	2.8%	6.7%

Note: Northborough has a regional high school. We used the Regional High School's MCAS scores, only in the above calculation. Wrentham has a regional middle school and high school. We used Wrentham's middle school and high school MCAS scores.

While Holliston may compare favorably to the fourteen communities in operating budget and income per capita, Holliston is at the 75th percentile or above on statistics of student enrollment, number of teaching staff, expenditures and in measures of student school performance. So while



the above selected communities may not compare well to Holliston, we are concerned that solely making comparisons to TEC communities is also not appropriate.

TEC COMPARISON

	Enrollment (2011-12)	# of Teachers (2010-11)	Expenditures (2011) \$	Per Pupil \$	ELA	Math	S&T/E	SAT R	SAT W	SAT M
Average	3,345	261.18	51,036,423	13,580	93.02	88.2	88.3	545	546	565
25th	2,860	200.30	41,733,290	12,298	90.90	86.7	85.2	512	511	536
Median	3,250	226.30	44,332,042	13,602	94.30	89.5	90.0	536	533	553
75th	4,015	267.10	47,645,942	15,198	95.10	91.8	91.0	578	583	598
Holliston	2,842	212.80	35,382,281	12,089	95.30	90.9	92.3	546	549	577
Holliston to Median	-12.6%	-6.0%	-20.2%	-11.1%	1.1%	1.6%	2.6%	1.9%	3.0%	4.3%

In making comparisons to TEC schools, one can see that on average TEC school districts are in larger communities, however Holliston compares favorably on performance measures. We have presented in the School Department Report our recommendations for communities to consider as a target labor market for School Department positions that not only considers school performance, but also the demographics of the community.

✓In the private sector, the Compensation Committee of the Board establishes an organization's total compensation strategy. For Holliston, this authority rests with the Selectmen and the School Committee. We propose that the Selectmen coordinate the development of a total compensation strategy with the Town Administrator, School Committee, and School Superintendent.



✓We propose that the Selectmen review those communities we have recommended in the School Department Report when defining the target labor market for Town and Police positions. Our goal has been to identify communities that not only compare based upon district size and student performance indicators, but also on community size, operating budget and other demographics. To the degree possible, we would recommend selecting a target labor market that has significant overlap for Town, Police, and School Department positions, and that deviations from the standard list of communities is documented with the rationale for why a particular community was added/deleted. We recommend that the target labor market listing of communities is reviewed every two to three years.

✓We recommend that secretarial, clerical, custodial and maintenance positions are compared to the same target labor market, and that pay is managed on a common salary scale for non-union positions. Therefore, we recommend that non-union, clerical School Department positions are classified using the same system as Town Hall, and the same salary structure. The benefit structures of these positions should also be comparable, with the exception of vacation leave.

DEFINITION OF TOTAL COMPENSATION

After establishing the target labor market, it is important to define the Town's desired pay philosophy. Most communities will indicate a desire to provide a competitive "total" compensation package. The largest components of the package are base compensation, and health care. Other elements of the total compensation package can include dental insurance, longevity, life insurance, vacations and holidays. As Massachusetts municipalities are part of the Massachusetts Contributory Retirement System, there is little variation in retirement benefits with the exception that some communities are beginning to provide senior management with additional deferred compensation. At a minimum, we recommend that Holliston considers the "large" compensation items of base pay, health care and longevity when setting the competitive amount of compensation for most positions. For Police and Teachers you will also want to review stipends.



The competitive analysis that we conducted for Holliston has defined total compensation as including base salary and health care. Holliston's longevity schedule (for Town and Police) is significantly below average. While we are not supporters of longevity payments (especially as employees are already being paid longevity through pay that typically grows with the passage of a year), we believe the amount communities fund for longevity should be considered in Holliston's total compensation package.

✓We propose that Holliston considers the following when comparing total compensation levels to the marketplace: base pay, longevity, and health care contribution for employee-only coverage.

✓We recommend discontinuing the longevity payment and using the funds to support bonus payments for employees who are at the maximum of their salary range and are no longer eligible for step increases (or employees who are outside of their target pay zone in the management structure, but are strong performers).

HEALTH CARE

Holliston's health care contribution rate of 60% is the lowest contribution rate reported in the total compensation survey of municipals included in the market survey. This accounts for approximately a \$750 shortfall in comparison to other communities; therefore, as we recommend above, this shortfall should be considered in comparing total compensation levels with the target labor market. We are not suggesting that Holliston increases your health care contribution rate as health care costs are potentially more of a fixed cost than payroll; however, we do believe that base pay levels should be increased upward by the \$750 amount to ensure that the objective of paying a competitive total compensation package is achieved. We have provided more information on the health care survey beginning on page 34 of our report.



SALARY STRUCTURES: STEP VERSUS OPEN-RANGE SYSTEMS

The only form of salary structure being used by the Town of Holliston and the Holliston School Department is a step-based salary structure. These structures establish a salary range minimum and a salary range maximum for each grade. A series of steps are defined between the minimum and the maximum. A step increase typically occurs on either the employee's anniversary date of employment or at the beginning of the Fiscal Year in July.

The following is an extract from the current structure covering non-exempt Town Hall positions.

Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6
1	12.03	12.88	13.41	13.97	14.56	14.88
2	12.64	13.53	14.09	14.68	15.29	15.63
3	13.27	14.20	14.79	15.41	16.05	16.41
4	13.92	14.90	15.52	16.17	16.84	17.22
5	14.62	15.64	16.30	16.98	17.68	18.09
	7.0%	4.2%	4.2%	4.2%	2.2%	

These structures are commonplace in the public sector and were designed when salary increase budgets were much richer than the 3% budgets of today¹. The intent of the structure design is for employees to receive a step increase and typically a cost-of-living/general increase annually. Over time, employees progress through the ranges, achieve the pay range maximum, and then future increases are limited to the cost-of-living/general increase. The diagram below is representative of the distribution of pay/number of employees in this type of structure.



¹Orientation Meeting with Finance Committee presented projected increases of 2.8% to 3.0% for 2012 with average of 3.0% based upon survey data collected from major research houses and human resource consulting firms across a variety of industries.



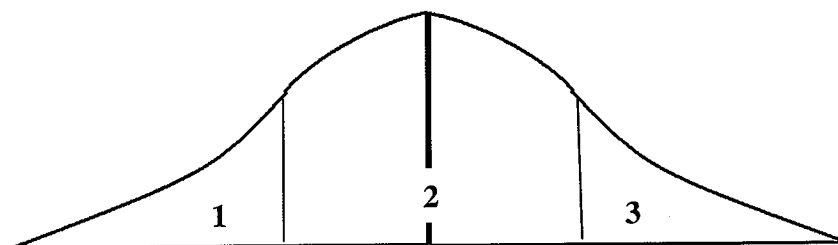
In the private sector, positions are most often assigned to an open-range system, where the midpoint of the range is considered the “going market rate” for an employee who is fully qualified, and performing to expectations. Private sector salary ranges (salary range maximum/salary range minimum) are typically wider than their public sector counterparts. A salary range for grade 1 in the private sector would likely look as follows:

Grade	Minimum	Midpoint	Maximum
1	12.68	14.88	17.09

Where in the public sector example, shown on the prior page, pay is managed to the maximum step rate of \$14.88, in the private sector sample above, pay is managed to the midpoint. Instead of providing for both a “step” increase and cost-of-living/general increase, the two increases are combined into a total increase budget. It is customary in the above example that employees who are low in their salary range would receive a greater percentage increase in order to move them more quickly to the “going market rate” that is expressed as the midpoint. Employees whose pay

is at or around midpoint would then receive whatever increase is needed to maintain competitive with the target labor market. Employees whose salary is typically in the upper third of the range will typically receive an increase that is lower than those who are in the middle of the range because, by design, they are already receiving pay that is considered above market.

The diagram below shows how pay in an open-range system is managed around the midpoint of the range.



Using the example of an open range, and a 3% total increase budget pool, management would establish a pay increase matrix that would take into account base pay in three equal pay zones: 1, 2 and 3.

Position in Range	1	2	3
Percentage Increase	3.5%	2.5%	0.5%

Alternatively, the above matrix can be adjusted to include performance. A higher level of increase would be provided for higher levels of performance:

Position in Range →	1	2	3
Performance Level ↓			
Exceeds Expectations	4.5%	3.5%	2.5%
Meets Expectations	3.5%	2.5%	0.5%
Does Not Meet Expectations	0.0%	0.0%	0.0%

The only reason that a step based structure is not financially crippling to a community is the fact that a high percentage of employees are at the maximum of their range, and therefore eligible only for cost-of-living increases. Lately, we have seen municipalities try to manage the inflexibility of their step-structures by doing one of the following:

- Implementing salary freezes
- Providing for step increases, only (no cost-of-living/general increase)
- Providing for a cost-of-living/general increase, only (no step increases)
- Increasing the time between salary increases

None of the above really solves the inherent design issue of failing to give the employer the flexibility to respond to changing financial and market conditions.

It should be noted that open range structures are being used across a broad range of positions in some municipalities (i.e., Bedford, Concord and Northborough); however, they are most often

limited in use to non-union position populations. Union populations have been resistant to their use, firstly, because too often communities insist that the open-range comes with pay-for-performance, and unions are concerned that this process will result in favoritism. And secondly, union employees have valued knowing what their next increase will be, as the steps and the cost-of-living/general increase are pre-determined, where in an open range system, potentially only the salary increase budget is known in advance.

✓We recommend that Holliston implement an open-range system for Town and School Department management personnel. Initially we propose that increases be tied strictly to an employee's position within the salary range.

✓A performance management system should be developed with management input. Once the system has been developed, employees covered by the system should go through an entire performance management cycle and then have the opportunity to provide feedback on the system so that modifications can be made. At this juncture, hopefully, trust will exist with the approach developed, and employees can begin the performance management cycle by establishing performance goals at the beginning of the Fiscal Year.

While we believe that open-range structures will grow in popularity, we must caution Holliston that, to our knowledge, no Massachusetts municipality has adopted an open-range structure for teachers, public works staff, or other unionized workers. Many private schools within the state use open ranges; however, few of these schools use pay-for-performance for teachers.

SALARY STRUCTURE – TOWN MANAGEMENT

Twenty-three (23) management positions are covered under individual contracts. This is a highly unusual practice. Contracts are customarily reserved for key management positions where the terms of the contract may vary based upon what is negotiated between the employee and the Town. Positions commonly provided contracts are the Town Administrator, Police Chief, Fire Chief, and a Department of Public Works Director. When there is commonality in

the terms and conditions of the contract, it is more likely that these positions will have compensation managed through a salary structure and other working conditions and benefits provided under the Town's personnel by-law.

While not part of the scope of the study, Stone Consulting has made initial assignments of management positions to grades as a guideline for classification purposes. The proposed classification structure is presented on page 54. A recommended performance management assessment form is presented in the appendix as Exhibit 12. The form should be considered only a piece of a performance management system's design.

✓ Management staff's compensation should be managed through an open-range salary structure. Town Administration and the Selectmen should review and implement the classifications.

SALARY STRUCTURE – TOWN CLERICAL/ADMINISTRATIVE

While it would be our preference that all employees are paid on an open-range structure, the most common salary structure used in municipalities is a step-based salary structure. As we have proposed that Holliston implement an open-range structure for Town Hall management and School Department management positions first, we would recommend that clerical/administrative/technical staff continue to be paid on a step-based structure comparable to how other position populations within Holliston are currently paid. Once there is a comfort level with open ranges with management positions, the Town can then consider rolling out open ranges for other position populations.



✓ For clerical/administrative/technical staff, we recommend that a new salary structure is adopted that provides for smaller increases between steps. We also propose a change in the by-law by recommending that employees do not receive a step increase after their probationary period, and that increases are annual.

SALARY STRUCTURE – SCHOOL DEPARTMENT MANAGEMENT

Separate contracts exist for eleven School Department Administration positions. Similarly to Town Hall positions, we would propose that salary ranges are established for those positions where there is comparability to Town positions. We recommend that pay ranges are established for Senior Technology LAN Administrator, Technology LAN Administrator, Resource Management Administrative Assistant and the Executive Assistant. Differences in benefit provisions also exist for these positions. These positions can be incorporated into the management Salary Structure proposal.

✓ We proposed earlier in this report that the Selectmen coordinate a total compensation strategy with the School Committee/School Superintendent. We advise that part of this discussion focuses on establishing common benefit structures for those position titles listed above and Town Hall positions. It will likely be necessary to grandfather School Department employees under the terms of their existing contracts; however, it would be advantageous to look to standardize the benefits provided across Town and School once School Department positions are vacated. Areas to review include vacation, sick leave accumulation, sick leave buy-back, and termination/service bonuses.

PRIVATE SECTOR VS. PUBLIC SECTOR

We believe that a major impetus to Holliston requesting this study was the result of assessing the total compensation provided to municipal employees and those compensation and benefit



practices that are provided in the private sector, and why they differ. Stone Consulting is in a unique position to provide the Town insight into this issue as our consultants have worked in global human resource consulting firms where they have consulted across a broad number of industries prior to specializing in the public sector at Stone Consulting.

We have summarized below our understanding of the differences in compensation and benefit structures.

Compensation

The public sector is heavily unionized. Authority for compensation decision-making is diversified. This makes it difficult to establish common practices across a municipality. The Board and Committee structure also make it difficult to implement consistent performance management processes and pay-for-performance as the volunteer Boards/Committees may have different interests in managing their relationship with their Town staff person than the Town Administrator/Board of Selectmen.

Town Meeting can be a lot more active in the compensation process. In fact authorization of positions, assignment of positions to grades (the classification table) are all included in the By-Law and require Town approval. Step-based structures have been implemented over open range systems to at least assure employees that they will receive pay adjustments. We have had quite a few projects where we have been retained by Personnel Boards to implement a step-based structure over an open-range, or partial merit-based structure because Town Meetings have consistently chosen not to fund merit increases.

Unlike the private sector, employees are ineligible for incentive compensation or stock awards. This results, in our opinion, with management staff that are significantly underpaid in total compensation in comparison to managers within the private sector. On the other-hand, public employees typically have longer service than their counterparts in the private sector. The U.S. Bureau of Labor Statistics report on tenure with current employer found in January 2012 that, on



average, private sector tenure was 4.6 years and local government tenure was 8.1 years. This is consistent with our experience that private sector employees often achieve significant salary growth when changing companies, but those that stay in the public sector are more likely to receive more moderate increases, and do not necessarily have the same promotional opportunities as employees who stay in their positions longer, and it is rarely the case that a position will be created around an individual's specific skills and abilities when job creation needs to go through all of the municipal approval process.

It is important to note that public sector employees within Massachusetts do not pay into Social Security and unless they have sufficient prior employment within the private sector are ineligible for Social Security retirement benefits.

Health

Massachusetts General Laws require that employees who work 20 hours or more are eligible for health care coverage at the same contribution rate as full-time employees. In the private sector, eligibility for the full employer contribution to health care is often higher (for example 25 or 30 hours), with the employee who selects coverage picking up a higher percentage of the premium cost than those employees who work full-time. It is required that employees who have ten years of service and retire from the Town are eligible for retiree health care and the municipality must contribute no less than 50% to the premium.

It is true that on average the health plans offered by Massachusetts municipals are richer plans than the private sector. Office co-pays are usually lower in municipal plans (\$15-\$35), where in private plans, office co-pays of \$25 or more are not uncommon. The cost of these health plans are often higher, not only because of design, but also because the premium reflects higher insurance coverage costs for retirees. Historically municipals recognized they provided lower cash compensation than the private sector but balanced their programs with a higher level of benefits. This remains true, to a certain extent today, however with the rising cost of health care, benefit programs are under greater scrutiny as municipals seek ways to rein-in costs.



The Associated Industries of Massachusetts publishes a Health Benefits report, and based on information provided, on average, private sector employers cover 75% of the health insurance premium for individual subscribers and 70% for family coverage. These findings are consistent with the market average findings from the market survey we conducted for Holliston. In this survey the average contribution reported was 74% for individual and 71% for family, the median contribution reported was 75% for both individual and family.

Dental

Holliston does not contribute to employees' dental insurance. It is unusual for a community of Holliston's size to do so. None of the communities surveyed contribute to dental insurance. In the private sector employers typically contribute to dental insurance.

Life Insurance

In the private sector, it is common to provide life insurance as a multiple of base salary (1 times, 2 times, even 2.5 times). Within Massachusetts municipalities insurance is usually a flat amount of \$5,000 to \$10,000, and often requires an employee to contribute to the premium where in the private sector this isn't necessarily the case. Especially at the \$5,000 level, the insurance amount should really be considered a death benefit as the amount would likely be used up in covering funeral/burial expenses. The amount is certainly insufficient to provide a family with income protection. It raises the question as to whether some of the termination benefits provided are to address a life insurance shortfall. If so, the cash outlays by the Town are an expensive way of doing so. Life insurance is a relatively inexpensive insurance, so the Town may want to consider adding extra life insurance rather than providing termination benefits.



Short-Term Disability/Long-Term Disability

Municipalities self-fund short-term disability. This is why employees across the Massachusetts municipal sector receive 15 sick days per year to accumulate in case they are needed for disability. In the private sector it is common for employers to fully insure short-term disability. Municipalities also are unlikely to provide long-term disability (with the exception of public safety if disability is the result of work injury). We have seen a few long-term disability plans, however they are usually provided to key managers because of their high cost. It is highly unusual to see these plans for the broad-based employee population. That is why we were surprised to find that the School Committee funds 100% of a long-term disability plan for School Department employees. Sick leave accruals become less of a need with this income protection, and therefore, we see that Holliston provides its teachers and administrative staff with sick leave buy-back at the end of each year which is unusual in comparison to other school districts. In the private sector, long-term disability plans are prevalent and the employer likely contributes a portion of the premium.

Sick-leave Buy Back

The majority of communities surveyed have sick-leave buy back. This is a benefit that pays at retirement cash compensation based on a formula of number of sick leave days accumulated usually to a maximum number of days, or to a maximum dollar amount. This rewards those employees who have not abused their sick leave. However, one must look at this more as a retirement benefit, as it typically is only paid out at retirement. Due to the private sector not providing for the accrual of sick leave because they insure short-term and long-term disability, it is rare to see this type of benefit in the private sector.

Retirement Benefit

All full-time municipal employees within the State participate in the retirement plan defined in Chapter 32 of the Massachusetts General Laws. This is a defined benefit plan. This means that the retirement benefit is based on a formula that takes into account the employee's compensation



in the past three years of employment (five years for new hires), their service and a benefit factor multiplier. Municipal employees are required to contribute to the retirement plan. Employees hired after July 1996 are required to pay up to 11% of their pay; those hired after 1984 pay up to 10%; those hired after 1975 pay up to 9% of their pay. These are significant contributions.

In the private sector, the majority of retirement plans are defined contribution plans where the employer contributes, typically yearly, a certain percentage of payroll into the plan. These plans may also have a matching component, whereby the employer will match up to a certain level: for example 50 cents to the employee's \$1.00 to a maximum percentage of pay. What is worthy to note is that the Chapter 32 plan required employee contributions are hefty in comparison to what is typically seen in the private sector. Also, public employees do not have a portable retirement plan. If they terminate their employment before they are vested, they only receive their contributions with minimal interest. This fact, and not paying into Social Security, in essence, typically locks an employee into public service. The only portability they have is if they work for another municipality, the State, or a State agency where they can take their credited service and retirement benefits with them.

Lay-off

Another aspect that differs within the public sector, is that employees do not receive income protection from the municipality in a lay-off. In the private sector it is common to provide severance to an employee affected by a lay-off. In Massachusetts, unless the employee is covered by a personalized employment agreement that provides for severance terms, they are ineligible to receive any severance.

Our goal in presenting the above is not to state that private or public sector employees are "better off" than their counterparts, but rather to illustrate that the total compensation programs are different and that making direct comparisons can be misleading. We are confident that regardless what the type of entity, establishing a total compensation philosophy framework, and for each element addressing the factors of *amount*, the desired *mix* of compensation/benefit



elements, and the *message* the entity wishes to convey in offering each element, is the best way to establish a total compensation package that is in alignment with the entity's strategies, goals and objectives.

ADDITIONAL COMPENSATION AND BENEFITS

The market survey conducted covered position compensation data, as well as additional information on compensation practices (i.e., prevalence of merit, step, and combination pay administration approaches), sick leave buy-back, and other benefits (vacation, holidays, car allowances, etc.). The results of the survey are presented as Exhibit 7.

Sick-Leave Buy-Back

Of significance is the prevalence of sick leave buy-back practices. The majority of those communities surveyed provide this benefit. Of those communities providing the benefit, the maximum allowance based upon an average pay of \$45,000 ranged from \$3,500 to \$8,500. Holliston's maximum allowance for Town Hall positions is on the low-end of this range at \$3,900. It is unclear what is intended by providing this benefit. As the amount of this benefit is substantial, removing it from the total compensation package would leave Holliston with a less than competitive total compensation package; however, we believe that the funds would be best allocated elsewhere in the benefits program. For example, Holliston could reallocate these funds to a contribution to a deferred compensation plan for employees. This would supplement employees retirement benefits. The School Department provides termination benefits. We would prefer that these be replaced with a deferred compensation contribution.

Life Insurance

Holliston provides minimal life insurance (\$5,000). Life insurance, in comparison to other insurance coverages is relatively cheap. Another alternative of reallocating Sick Leave Buy-Back funds would be to increase the coverage level, and have the Town pay the full premium. However, our preference would be to reallocate the funds to retirement, as this will likely have greater visibility and utility to the majority of employees.



Vacation & Personal Leave

Holliston's vacation schedule is consistent with other communities surveyed, but as mentioned, employees are ineligible to receive three weeks of vacation until their fifth year of employment. We would propose that employees accrue an extra day of vacation so that at the completion of a full year of employment they have accrued 11 days of vacation; 12 days at 2 years of service; 13 days at 3 years of service; 14 days at 4 years of service to the 15 days at 5 years of service. We would propose that the accrual of an additional day continues up to 10 years of service.

The Town provides 2 personal days per year. Those communities surveyed provide, on average, 4 personal days. We believe that this is unnecessarily rich; however, we do recommend that the Town increases the allowance to 3 personal days.

✓We recommend that the Town proceed cautiously with respect to making any changes to the sick leave buy-back program, because this benefit is also being provided to Police and to School Department personnel. Wherever possible, we would propose that the Town look at providing greater consistency in the benefits provided across union, and non-union populations, and School and Town Hall positions. Our preference would be to reallocate funds from the sick leave buy-back program to one that focuses on retirement. We recommend that Holliston determines its outlay on sick leave buyback and determine whether it is feasible instead to provide a contribution to a deferred compensation plan. Depending on the amount of funds Holliston uses for sick leave buy back, a more moderate plan could be to increase employees' life insurance from the current face value of \$5,000 and have the Town pay the entire premium. This would provide greater income protection for a family in the event of an employee's death.



✓It seems rather archaic to have employees wait until five years of service to be eligible for more than two weeks of vacation. We propose that Holliston changes the vacation accrual so that 5 years remains the year the employee is eligible for three weeks of vacation, however, the employee gains one additional day of vacation at the completion of 1 year of service, and 2 – 4 years of service. We also suggest that this accrual process continue through to 10 years of service.

✓Finally, we recommend that Holliston increases the number of personal days from the current 2 days to 3 days.

HEALTH CARE PLAN REVIEW

Stone Consulting performed an actuarial review of Holliston's health care plans. The key goals of this review were to:

- Understand the principal plan provisions that are driving current costs.
- Understand the principal health conditions that are driving current costs and how these conditions compare to other entities.
- Compare Holliston trends for Medical and Dental insurance to industry standards.

Holliston is part of the West Suburban Health Group (WSHG), a purchasing cooperative. Our analysis requires access to data where we could separate Holliston from the pool. Unfortunately, this information was not made available to us. We would urge Holliston to speak to your vendors to ensure in the future that Town-specific data is available.

We analyzed costs for WSHG as a whole, and found, based on the information that was provided, the following:

- a) prescription drug costs seem in line with expectations;



- b) mental health and substance abuse costs are much higher than expected. This should be researched. We are particularly concerned that these results may not be indicative of Holliston but may be reflective of other WSHG participants;
- c) circulatory system costs, such as cardiac care, are well above average. This might argue for some sort of related wellness program.

An analysis of large claims showed a higher percentage of these claims than we would have expected. We would recommend investigating these claims further to ascertain the types of services and also the provider(s) involved.

An analysis of the health trend (i.e., premium increases over time) on the Tufts plans (the plans that have the highest Holliston enrollment) indicates a lower trend than the average market trend. This indicates that Tufts and WSHG have done a good job in containing health care costs in relationship to industry peers.

✓We recommend that Holliston actively pursues with the WSHG and their health care vendors to provide Holliston-specific data so that the mental health and substance abuse costs, and circulatory system costs can be specifically viewed. This will assist the Town to assess whether other municipalities' experience is impacting Holliston's costs. Without this data, it is impossible to tell if Holliston is benefiting from the WSHG cooperative purchasing arrangement.



Project Methodology

PROJECT ORIENTATION

Paul LeBeau, Town Administrator and Andrea Minihan, Assistant to the Town Administrator, coordinated the project for Holliston. Rachel Brown was the lead consultant with Stone Consulting, Inc.

Orientation Sessions were conducted with employees and department heads in early December. The orientation is presented as Exhibit 1. The orientation reviewed the project steps, study objectives, addressed common misconceptions regarding classification studies (i.e., they are not assessments of employee performance, or staffing studies, etc.), and provided guidance on how to review existing position descriptions and complete and job description questionnaire.

JOB DOCUMENTATION

Stone Consulting prepared Guidelines for Job Description Review (Exhibit 2) for employees to reference as they reviewed their existing job description for currency. The guidelines provided a sample job description for employees to reference. A job description supplement was prepared using the web-based tool, SurveyMonkey®. The supplement collected information about education and experience requirements, licensing, contacts, leadership/volunteer supervision, and work environment factors to respond to the Americans with Disabilities Act. Employees could choose to fill out the supplement via the web or in hard-copy. (Exhibit 3 is a copy of the Job Description Questionnaire).

Job Descriptions were prepared using the information provided by employees through their marked-up versions of the job description, the supplements, and the input provided by Department Heads once they had reviewed Stone Consulting's draft of the job descriptions. A



sample job description is provided as Exhibit 4. Job Descriptions were issued to employees when the classification study's results were presented.

Many of the initial job descriptions were dated. Stone Consulting established a standardized job description format that included:

Position Header Information: such as Position Title, Reporting Relationship, FLSA status, Grade and date the job description was prepared

Summary: A one or two sentence snapshot describing the work performed by the position

Essential Functions: an outline of the position's major job responsibilities to respond to the Americans with Disabilities Act

Secondary Responsibilities: those responsibilities that rest with the position but are not considered "essential" under the Americans with Disabilities Act

Supervision: identifies position titles that report to the position and what supervisory activities are required. Also highlights whether volunteer coordination/supervision is required

Qualifications: hiring requirements to include education and experience, licensure, and other hiring prerequisites to assist in recruitment and respond to Equal Employment Opportunity statutes

Tools and Equipment Used: identifies equipment that is used in the position to support the Americans with Disabilities Act

Physical Demands: identifies physical effort requirements and visual requirements to support the Americans with Disabilities Act

Work Environment: identifies the location of where work is performed, i.e., in an office setting, outside field work, and/or work outside the regular work day to respond to the Americans with Disabilities Act

The format established can be used for positions that were not included as part of the study.



JOB CLASSIFICATION

We developed a point factor job classification system. The factors in the plan are:

Education/Basic Knowledge: measures the minimum knowledge that would be required for an employee to start to perform the duties of the position. This knowledge may be obtained through training, study, and education.

Experience: measures the minimum cumulative time required by someone, with the specified educational background or knowledge, to begin performing the responsibilities of the position. Experience can be gained in prior related or pre-requisite positions as well as on-the-job training.

Judgment & Initiative: measures the complexity of problems and issues faced in the position and the degree of independent action and judgment required. Considers the level of analysis used to address issues or problems encountered in the position, as well as the creative thought necessary to improve efficiencies, services, and practices.

Supervision Required: measures the degree to which the individual's immediate supervisor is needed to outline the methods to be followed or the results to be attained, checks the progress of work, and handles exceptional cases.

Planning: measures the degree to which the individual is responsible for organizing, planning, and prioritizing their work. Considers the nature of the work, the need to coordinate with other resources both within, and outside the department, and the degree of detail necessary in establishing work plans to ensure timely delivery of information and service.

Contacts: measures the nature of the contacts required in this position. Considers the type of contact, e.g., formal presentation, casual contact, the exchange of information or problem solving with the contact, etc. Considers the frequency of contact, and the degree to which the contact requires patience, sensitivity and empathy in order to achieve the highest level of customer service, public goodwill, while also meeting the Town's goals.

Physical Environment: measures the surroundings or environmental conditions under which the position is performed and the extent to which they make the job disagreeable. Considers the elements which hinder the employee's ability to perform assigned duties.

Manual Skills: measures the degree to which the position requires motor coordination, manipulative ability and the coordination of manual dexterity with mental and/or visual attention. Considers the occupational application of manipulative ability and motor coordination in work situations of varying lengths of concentration.



Physical Effort: measures the degree of physical effort required in the performance of job duties. Considers the physical activities of manual labor, standing, walking, etc. as well as the exertion of physical force for intermittent or short periods.

Occupational Risks: measures the relative degree of exposure to hazards that might cause injury on the job. Considers both the probability of injury as well as the severity of injuries, if an accident actually occurred. It is assumed that appropriate safety procedure is followed.

Character of Supervision: measures the complexity of supervision, whether the position is a working supervisor performing similar work to those supervised, or whether the employee in the position is supervising employees who are performing diverse work responsibilities. Considers the type of supervisory activities performed, whether they be assigning/reviewing work or performing more complex supervisory activities such as establishing performance measures, conducting performance reviews or providing discipline.

Scope of Supervision: measures the number of employees (full-time-equivalents) supervised by the position.

The Classification Plan and the Classification Manual is presented as Exhibit 5.

Positions were evaluated using the plan's factors and position assignments were reviewed by Town Administration and by Department Heads. Department Heads were provided the opportunity to meet with the consultant to review the results of the classifications. Positions that are regular full-time positions or those that work 20 hours or more were classified. Positions that work less than 20 hours were assigned to a secondary structure based upon market rates.



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		1	2	3	4	5	6	7	8	9	10	11	12			
Educ./		Kw.	Exp.	Judg. & Init.	Supvn.		Plan.	Phys.		Man. Skill	Phys. Effort	Occup. Risk	Char. of Supvn	Scope	GRADE	TOTAL
Position Title	Req'd				Contacts	Env.										
Asst Library Director		5	3	3	3	4	4	1	1	2	1	3	1	500	502	
Asst Town Clerk		3	4	3	3	3	3	1	1	2	1	3	1	400	485	
Administrative Assessor		4	4	3	3	3	4	2	1	1	2	2	2	400	475	
Children's Librarian		5	4	3	3	3	3	1	1	3	1	1	0	400	464	
Head Dispatcher		3	4	3	3	3	3	2	1	1	1	2	3	400	458	
Reference Librarian		5	3	3	3	3	3	1	1	3	1	1	0	400	457	
Outreach Coordinator		4	3	3	3	3	3	2	1	1	1	2	1	400	456	
Head of Circulation		3	3	3	3	3	3	1	1	3	1	1	0	400	448	
Asst Collector		3	4	3	3	4	4	1	1	1	1	1	0	400	445	
Asst Treasurer		3	4	3	3	4	4	1	1	1	1	1	0	400	445	
Library Cataloger		3	3	3	3	3	3	1	1	2	1	0	0	300	418	
Secretary, Police		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Principal Clerk - Health		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Principal Clerk – Assess.		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Principal Clerk - Bldg		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Principal Clerk - Water		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Senior Clerk - Acct. Rec.		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Senior Clerk - Acct. Pay.		3	3	3	3	3	3	1	1	1	1	0	0	300	403	
Dispatcher		2	3	3	2	3	3	2	1	1	1	0	0	200	390	
Clerk, Selectmen's Ofc.		2	2	2	2	3	3	1	1	1	1	0	0	200	364	
Library Technician		2	2	2	2	2	2	1	1	2	1	0	0	200	362	
Asst Clerk Conservation		2	2	2	2	2	3	1	1	1	1	0	0	200	356	
Asst Clerk Planning		2	2	2	2	2	3	1	1	1	1	0	0	200	356	
Senior Clerk – Sr. Ctr.		2	2	2	2	2	2	1	1	1	1	0	0	200	347	

TITLE CHANGES/JOB DIFFERENTIATION

Holliston's job titles of Assistant Clerk, Principal Clerk, and Senior Clerk are not consistent with more contemporary titles, and it was not necessarily clear what distinguished positions.

✓We recommend the following title changes:

Prior Job Title: Principal Clerk/Senior Clerk

Recommended Job Title: **Department Assistant – (Department Name)**

Identifies that the position is the lead clerical position within the department responsible for performing a variety of clerical/administrative functions such as reception/counter work, answering and directing phone calls, e-mails, and responding to mail inquiries. Performing accounts payable/accounts receivable for the department. Prepares reports and forms. Reports payroll for department. Explains department procedures, and assists customers in completing forms/applications and similar duties. Ideally the incumbent will have prior municipal experience. The employee will have prior clerical experience (typically a minimum of 3 years experience).

Department Assistants are identified as existing in the following departments: Police, Health, Assessor's, Building and Water

Prior Job Title: Assistant Clerk/Senior Clerk

Recommended Job Title: **Office Assistant – (Department Name)**

Identifies that the position typically has support of a higher level clerical employee within the department, or the Department's Manager is more available to respond to questions and issues. The employee is not required to use the same level of independent judgment that is required by the Department Assistant and the responsibilities performed are typically not as diverse as the Department Assistant's. The Office Assistant is an entry-level position that requires familiarity in office practices and procedures, and basic knowledge of office equipment and software.

Prior Job Title: Principal Clerk

Recommended Job Title: **Financial Assistant (Accounts Payable/Payroll or Accounts Receivable)**

As the functions of these positions are predominantly financial, we propose that these positions are referenced as Financial Assistants to differentiate them.

Prior Job Title: Clerk

Recommended Job Title: **Board Secretary**

Responsible solely for posting meetings, attending board/committee meetings, taking/transcribing minutes, preparing materials for agenda and distributing materials in advance of meeting.



MARKET ANALYSIS

Working with Town Administration and the Finance Committee, the following list of communities were initially identified to include in the market survey.

Ashland	<i>Ipswich</i>	Northborough
Bellingham	<i>Lynnfield</i>	Pembroke
<i>Foxborough</i>	<i>Maynard</i>	Sharon
Grafton	Medfield	Swampscott
<i>Hanover</i>	Medway	Uxbridge
Hopkinton	North Reading	Wrentham

We found it difficult to gain participation in the survey. Communities are leanly staffed and are barraged with requests for compensation data and failed to complete the survey by the deadlines established, or chose not to participate. We sent the survey out with an introduction letter, followed up with phone calls and e-mails and extended the survey deadline twice. Even with our attempts, we were unable to get full participation. Those communities that are presented in italics above did not participate. We were able to get some data from those communities that did not participate through compensation surveys that Holliston participated in (i.e., Foxborough and Maynard).

The communities selected were considered most representative of Holliston's form of government, size (as reflected in population and operating budget), per capita income and equalized property valuation/census. We also chose to reflect commuter towns.

Base Pay Rates

On the following page we have shown compensation hourly rates for the clerical/administrative staff effective 7/1/2011 against the average hourly rate of communities surveyed. We collected additional cross-industry survey data from the Economic Research Institute and averaged the all industry segments for Boston and Worcester. This average is reflected in the "X-Industry" column.



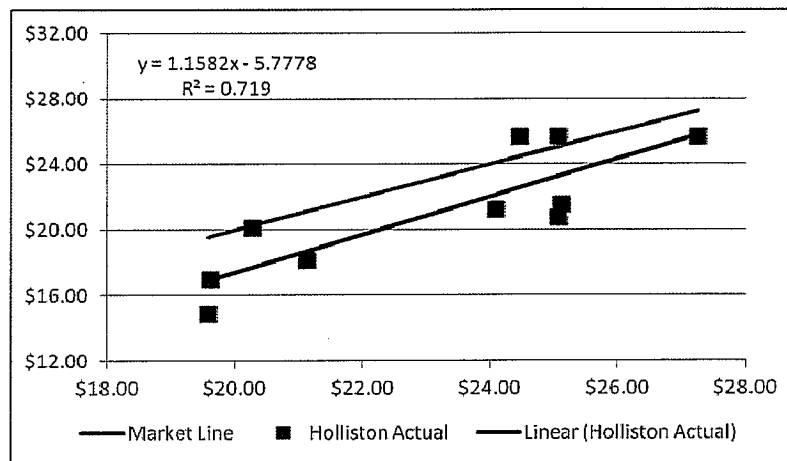
Not all positions were surveyed. We surveyed a variety of positions across various departments and salary levels that we felt were sufficient to establish a salary structure and for which we were reasonably confident that a comparable position would exist in another municipality.

The table is presented in hourly rates.

Position Title	Holliston Actual Pay	Municipal Market Survey (Average)	X-Industry Market Survey (Average)	Holliston to Municipal
Assistant Library Director	25.65	27.26	40.72	-5.9%
Assistant Town Clerk	25.65	24.47		4.8%
Assistant Assessor	25.65	25.08		2.3%
Principal Clerk – multiple incumbents	21.54	25.13	26.05	-14.3%
Librarian – multiple incumbents	21.21	24.10	30.97	-12.0%
Assistant Collector	20.76	25.08	27.07	-17.2%
Dispatcher – multiple incumbents	20.14	20.28		-0.7%
Outreach Worker	18.13	21.13		-14.2%
Assistant Clerk – multiple incumbents	17.00	19.62	18.79	-13.4%
Library Technician – multiple incumbents	14.88	19.58	17.90	-24.0%

The graphic on the following page compares Holliston's actual pay rates to the municipal market survey. The blue line is the "market." If Holliston paid exactly at market, the red squares (that reflect Holliston's actual pay rates) would all fall on the blue line. The red line is a single regression line through Holliston's actual pay rates. The equation of the line is presented in the graph's upper left hand corner. An r^2 score of .719 indicates that 72% of Holliston's actual pay can be explained by the market. This shows us that Holliston's actual pay is not very market driven, or that our target labor market is not reflective of how Holliston chooses to pay clerical/administrative positions.





Impact of Geography

Stone Consulting's experience indicates that geography appears to have less impact on pay than other factors, such as a Town's operating budget, equalized property valuation/census, and per capita income. It is appropriate for Holliston to compare to other commuting, predominantly residential communities. This is reflected in our recommended selection of target labor market communities. We did identify through the survey that Uxbridge, Wrentham and Bellingham appear to have significantly lower base pay than the other communities included in the market survey. This had less impact on lower-paid clerical positions, but does seem to have impact on higher-paid para-professional positions. For example, in the above graphic and table, one notes that the Assistant Town Clerk and the Assistant Assessor are identified as being paid "above" market. If Holliston decides that these lower paying communities should not be included in the target labor market, then these positions would fall, and in the case of the Assistant Assessor, "below" market. Historically, these para-professional positions were filled with employees with bookkeeping experience or prior office management type of skills. In today's labor market, more progressive communities are increasing their hiring standards and are filling these positions with incumbents with a minimum of an Associate's degree, and in some instances even a Bachelor's degrees.

Based upon the direction given to us by the Finance Committee and Town Administration, we have recommended grade levels that are consistent with including these communities in your



target labor market. If, however, the Town desires higher qualifications, or identifies that the incumbents in these positions have the potential to become Department Heads, then they are under-graded in our proposed structure. The Assistant Town Clerk and Administrative Assessor are the highest graded 400 positions and therefore an adjustment could be made to the point-breaks to support placing these positions at the 500 grade level.

Health Care

Our market survey also included benefits. The chart below displays our survey findings of the total monthly premium for individual and family health coverage, the employer's contribution to health coverage, and displays the employer's annual contribution to health coverage. We believe that it is important for communities to look at their total compensation competitiveness in addition to base pay.

Survey (n=16)	Monthly Premium (Average)	Employer Contribution (Average)	Annual Employer Contribution (Average)
Individual	\$623.37	74.3%	\$ 5,558
Family	\$1,610.48	71.3%	\$13,779

Holliston	Monthly Premium	Employer Contribution	Annual Employer Contribution	Difference
Individual	\$ 690	60%	\$ 4,968	-\$590
Family	\$1,798	60%	\$12,946	-\$333

Holliston's health care contribution rate was the lowest of the municipals reporting. Medfield was second lowest, with a contribution rate of 62% followed by Sharon, North Reading and Swampscott at 70%. Holliston is part of the West Suburban Health Group (WSHG) that made plan design changes to rate saver plans effective 2012. The new rates are:



Holliston	Monthly Premium	Employer Contribution	Annual Employer Contribution	Difference
Individual	\$ 586	60%	\$ 4,478.20	-\$1,080
Family	\$1,529	60%	\$11,656.80	-\$2,122

The Town achieved significant savings with the change (anticipated at over \$1,000,000 during the first year of implementation). The mitigation plan established a Health Care Reimbursement Account (HRA) that the Town funded at \$259 for each individual subscriber and \$648 for each family subscriber. These amounts are included in the Annual Employer Contribution rate above.

Holliston	Monthly Premium	Employer Contribution	Annual Employer Contribution	\$ Difference
Individual	\$ 586	74.3%	\$ 5,224.78	-\$ 746.58
Family	\$1,529	71.3%	\$13,082.12	-\$1,425.32

By applying the average employer contribution to Holliston's health insurance rates yields close to a \$750 annual shortfall for individual coverage. As mentioned earlier in this report, most communities are desirous of a competitive total compensation program. Some of our clients have compensation strategies where they have chosen to be less competitive on the benefits, as they recognize that they have little control over the rising cost of health care, and more control over the base salary portion of their total compensation package and make-up for the shortfall in higher than average base salary. In our project planning meeting with the Finance Committee, we understood that the desire was to deliver a competitive total compensation package; therefore, we propose that the salary structure for clerical/administrative staff is established at above market rates by \$750 to reflect this goal.

Exhibit 6 provides details of the survey information gathered for each position in the classification study.



Longevity

Holliston provides minimal longevity. This is a summary of the longevity data collected in the survey. Longevity is a significant aspect of total compensation, and therefore, we recommended in the Executive Summary that Holliston considers the amount that communities use to fund longevity into the amount the Town budgets for total compensation. While we are not advocates for longevity, we do recommend that longevity funds are reapplied to reward employees who have meritorious performance who are at the top step of their salary range and do not have promotional opportunities.

	5 years	10 years	15 years	20 years	25 years	30 years
Average	\$422	\$584	\$787	\$1,007	\$1,173	\$1,287
Median	\$400	\$600	\$750	\$1,000	\$1,250	\$1,400
Holliston	\$50	\$100	\$150	\$200	\$250	\$250
Holliston to Average	-88%	-83%	-81%	-80%	-79%	-81%

Sick Leave Buy-Back

Another benefit that is prevalent among those communities surveyed is sick leave buy-back. This provides employees, at retirement, the ability to cash-out sick leave that has accumulated. At an average salary of \$45,000, the maximum benefit attainable for accumulating the maximum of 90 days for Holliston Town Hall positions is \$3,894. This compares well to the average/median of those communities surveyed. When establishing a total compensation philosophy, it is important to address the:

- “amount” of total compensation provided,
- “mix” – the distribution of the various compensation and benefit elements in the package, and
- “message” – the purpose of the compensation, and what value we desire the element to convey.

It is unclear to us what the “message” of sick leave buy-back is, other than providing recognition to a retiring employee who has not abused their sick leave.

✓We recommend that Holliston determines their budget for the sick leave program, and considers reassigning the dollars and providing annual deferred compensation contributions to employees who meet particular eligibility standards: i.e., 10 years of service, successful performance, etc.

Vacation

Municipals do not provide as generous vacation packages as the private sector. For Holliston's Town Hall positions an employee needs to wait until five years of employment to be eligible for three weeks of vacation, unless an employee negotiates a different arrangement upon hire. We recommend a policy change that would allow for an employee to more rapidly accrue vacation days.

✓We propose that employees receive one extra vacation day per year, so that at 6 months of employment the employee is eligible for 5 days; at 1 year, 11 days; at 2 years, 12 days; 3 years, 12 days; 4 years, 13 days; and 5 years, 15 days (3 weeks). We recommend that this accrual rate continues through 10 years of service.

PAY STRUCTURE

The existing salary structure is presented on page 39. We look at two dimensions of a structure. The number of grades (vertical) and the salary range widths (salary range maximum/salary range minimum – horizontal).

The structure has fourteen grades that are only 5%/6% apart. Quite a few of these grades are not populated. The disadvantage of too many grades is that it can put pressure on reclassification as slight differences in classification can result in a position upgrade. This process is known as grade creep. Another disadvantage is that the market data for any one position can vary by more than plus or minus 5%, again making it difficult for management to decide what the appropriate grade assignment for a position should be.



The structure between steps 1 and step 2 is 7.2% apart. Employees who are hired at step 1 are eligible to proceed to step 2 after their probationary period, and then at their next salary review date receive a 4.2% increase providing a total increase of *over 11%* within one year (this does not include any general/cost-of-living increase that may be provided). This is inconsistent with the current economic environment and contemporary compensation management practices. We recommended in the Executive Summary that this practice is discontinued, and that no increase is provided to an employee upon completion of their probationary period; however, the Town should continue to assess employee performance before the probationary period expires.



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Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Range Spread	Grade Differential
1	12.03	12.88	13.41	13.97	14.56	14.88	23.7%	
2	12.64	13.53	14.09	14.68	15.29	15.63	23.7%	5.0%
3	13.27	14.20	14.79	15.41	16.05	16.41	23.7%	5.0%
4	13.92	14.90	15.52	16.17	16.84	17.22	23.7%	4.9%
5	14.62	15.64	16.30	16.98	17.68	18.09	23.7%	5.1%
6	15.50	16.58	17.27	17.99	18.74	19.18	23.7%	6.0%
7	16.44	17.59	18.33	19.09	19.89	20.31	23.5%	5.9%
8	17.43	18.65	19.43	20.24	21.08	21.54	23.6%	6.1%
9	18.47	19.76	20.58	21.44	22.34	22.84	23.7%	6.0%
10	19.57	20.94	21.81	22.72	23.67	24.21	23.7%	6.0%
11	20.76	22.21	23.14	24.11	25.11	25.65	23.6%	5.9%
12	22.00	23.54	24.52	25.54	26.61	27.18	23.5%	6.0%
13	23.33	24.96	26.00	27.08	28.21	28.84	23.6%	6.1%
14	24.72	26.45	27.55	28.70	29.90	30.56	23.6%	6.0%
		7.0%	4.2%	4.2%	4.2%	2.2%		

As we mentioned in the Executive Summary, step-based structures with these large percentages between steps were developed when total compensation budgets were much richer. It is no longer realistic with total increase budgets at 3% to have large differentials between steps.

Our structure proposal provides for a reduction in the differential between steps that results in more steps per grade.



SALARY STRUCTURE – 7/2011

Our salary structure proposal was developed using the market data collected, effective 7/2011 and adjusted for the \$750 benefits shortfall.

Grades	1	2	3	4	5	6	7	8	9	10	Grade Diff'l
500	21.89	22.76	23.56	24.38	25.11	25.86	26.51	27.17	27.72	28.27	10%
400	19.90	20.69	21.41	22.16	22.83	23.51	24.10	24.70	25.20	25.70	10%
300	18.09	18.81	19.47	20.15	20.75	21.38	21.91	22.46	22.91	23.37	10%
200	16.44	17.10	17.70	18.32	18.87	19.43	19.92	20.42	20.82	21.24	
	4.0%	3.5%	3.5%	3.0%	3.0%	2.5%	2.5%	2.0%	2.0%		

We have proposed a salary structure that has 10% grade progressions that allows for true differentiation between pay levels. We also propose smaller increases as an employee progresses through the salary range. This provides greater increases to employees who are early in their career and are at lower salary levels, and provides smaller increases to employees whose salaries are approaching the maximum to prepare them for smaller cost-of-living/general increases once they have achieved maximum. As this structure is based on July 2011 rates, we have shown on the following page a structure with a 1% or 2% increase over 2011 to be effective July 1, 2012.

SALARY STRUCTURE – 1% INCREASE (7/2012)

Grades	1	2	3	4	5	6	7	8	9	10
500	22.10	22.98	23.79	24.62	25.36	26.12	26.77	27.44	27.99	28.55
400	20.09	20.90	21.63	22.38	23.06	23.75	24.34	24.95	25.45	25.96
300	18.27	19.00	19.67	20.35	20.96	21.59	22.13	22.69	23.14	23.60
200	16.61	17.27	17.87	18.50	19.05	19.63	20.12	20.62	21.03	21.45

SALARY STRUCTURE – 1.5% (7/2012)

Grades	1	2	3	4	5	6	7	8	9	10
500	24.43	25.41	26.30	27.22	28.04	28.88	29.60	30.34	30.95	31.57
400	22.21	23.10	23.91	24.74	25.49	26.25	26.91	27.58	28.13	28.69
300	20.19	21.00	21.73	22.49	23.17	23.86	24.46	25.07	25.57	26.09
200	18.36	19.10	19.76	20.46	21.07	21.70	22.24	22.80	23.26	23.72

SALARY STRUCTURE – 2.0% INCREASE (7/2012)

Grades	1	2	3	4	5	6	7	8	9	10
500	24.56	25.54	26.43	27.35	28.17	29.02	29.75	30.49	31.10	31.72
400	22.32	23.21	24.02	24.86	25.61	26.38	27.04	27.72	28.27	28.84
300	20.31	21.12	21.86	22.62	23.30	24.00	24.60	25.21	25.71	26.22
200	18.45	19.19	19.86	20.55	21.17	21.80	22.35	22.91	23.37	23.84

Costs for implementing the various structures includes assigning each employee to the closest step in the new structure that is not less than their current pay in the new structure. For example, for a Principal Clerk: currently at Grade 8, step 6 = \$21.54, the employee would be placed on Grade 300, step 6 at \$21.80 on the 2% structure.

We then propose that if the employee is not on the salary range maximum that they be eligible for a step increase. In the above example the employee would move one step to step 7 at \$22.35.

The costs of implementation are presented on the following page:

We have shown the implications of implementing alternative structural increases over the July 2011 market data obtained. The first cost (to step) details the transition cost of moving employees from the existing structure to the new structure. The percentage in brackets is the percentage increase in payroll for those employees covered by the classification study. The second cost listed (to step and progress to next step) is the expense associated not only with moving the employee to the step in the new structure, but also the cost of providing the employee a step increase.

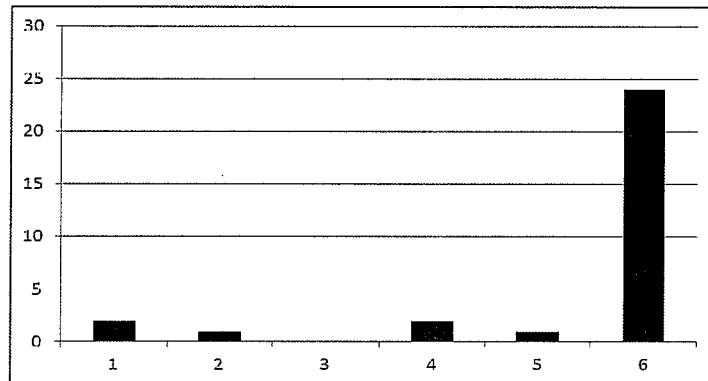
Implementation Costs	To Step	To Step and Progress to Next Step if Eligible
7/2011 data	\$24,402 (2.64%)	\$46,620 (5.04%)
Age Structure by 1%	\$24,172 (2.61%)	\$46,263 (5.00%)
Age Structure by 1.5%	\$28,902 (3.12%)	\$51,256 (5.54%)
Age Structure by 2%	\$27,647 (2.99%)	\$54,484 (5.89%)

In the above example of implementing the 2% structure, the cost of moving eligible employees on to the new structure is 2.99% of payroll. The cost of providing those employees who are eligible to receive a step increase is 2.90% of payroll for a total payroll increase of 5.89%. Details of how individual employees would be affected by the study's results have been provided to Town Administration in spreadsheet form.

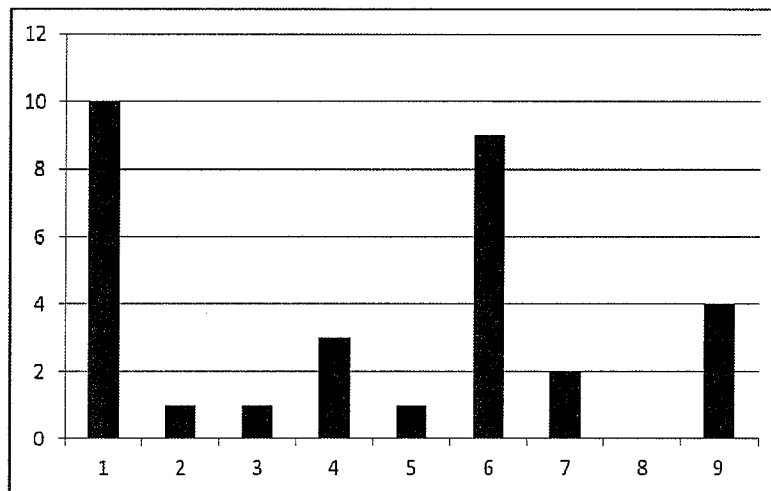
The implementation costs do not increase consistently because employee placement on step is dependent on the employee's current pay. For example, an employee may be placed on a lower step in the 2% structure than they would be on the 1.5% structure.

The graph on the following page shows the distribution of clerical/administrative employees by step in the existing structure.





With the proposed 2% structure, employees would be placed on the following steps:



The new structure provides for more earnings growth for employees. With the goal of implementing a fiscally affordable structure, we have not proposed any further adjustments than getting the employee placed onto the new structure and moving them one step. *Our proposal does not immediately address those employees who may not be correctly placed within the salary range based upon their experience.* For example, ten employees (prior to receiving a one step increase if Holliston chooses to enable this) are at the salary range minimum.



✓We recommend that the 2% salary structure is implemented as this is consistent with market movement projected over the course of July 1, 2011 and June 30, 2012. Consideration should be given to market movement if the salary structure is implemented at a different effective date. It is not unusual for a community to implement the study's results over time. If the Town cannot afford implementing the 2% structure, it would be appropriate to look at adjusting the structure downwards, and being more aggressive in the structure's movement in subsequent years.

We would also propose that Holliston addresses those employees with service who are low in their range with the potential to move through the salary range at a more rapid rate than new hires. For example, in subsequent years after implementation, we would recommend that employees who have long service are able to move two steps until a particular step level is achieved (for example, step 6); thereafter, they would progress through the structure at one step intervals. We did not determine the cost of this proposal as we do not have the employees' date of service within their positions, and we don't recommend that this option is considered until the second year of implementation.

Currently employees receive their step increase on their anniversary date, with any cost-of-living/general increase being provided when authorized, which has historically been at the beginning of the fiscal year. One option would be to implement the above recommended structure and advance employees to the next step on their anniversary date, or, our preference, provide the employee the step increase at implementation and then giving employees the same next salary review date which will be one year post-implementation.

We also recommend that the Personnel By-Law is changed so that employees are ineligible for a salary increase after their probationary period. If Holliston chooses a common salary review date, we would propose that if an employee has nine months' of employment by the common salary review date that s/he would be eligible for a step increase.



PAY STRUCTURE FOR UNDER 20 HOUR POSITIONS

Municipalities customarily identify that those positions that work seasonally, or on reduced schedules should not be paid on the same salary structure as regular employees. It is considered that those employees who work significantly less hours, do not see their work as career-oriented, and are not necessarily working for benefits. It does not seem appropriate for these employees to progress through ten steps. Therefore, we have proposed that these employees are placed on a structure with three steps. These grades were established by reviewing market data, as well as how these position's responsibilities compare to other graded positions.

The only exception made in the schedule was for employees who work less than twenty hours but are in positions that are also performed by employees who work over twenty hours. These positions are the Library Technician and Dispatcher.

Under 20-hour Salary Structure

	Step 1	Step 2	Step 3
100	\$17.76	\$18.12	\$18.48
Crossing Guard			
Van Driver			
Matron			
Board Secretary			
Unclassified			
Library Page	\$9.00	\$9.50	\$10.00



✓ For implementation of under 20-hour positions, we recommend that employees are brought to the closest step on the new structure, at no less than their current pay. These employees would be ineligible to receive a step adjustment. The majority of these employees' pay falls below the proposed salary range minimum and therefore they would receive a significant and sufficient increase to get to the new salary range minimum. We have not determined the cost to implement this structure as the number of hours worked by these employees vary, and was not readily available to us.

SHIFT DIFFERENTIAL PAY FOR DISPATCHERS

Under the current structure, Dispatchers who work the second and third shift are paid at a higher grade than first/day-shift Dispatchers. We do not advocate the use of separate grades unless the content of a position is different. We recommend the use of a salary differential that can be removed if the employee changes shift. We also recommend that the third shift is given a higher differential than the second shift to recognize that working in the early morning hours is less desirable. The existing grade differential between the day Dispatchers at current grade 7 and the night Dispatchers at grade 8 is 5%.

The Police contract establishes a 3% differential for the 2nd shift and a 4.5% differential for the 3rd shift. The survey analysis revealed the following with respect to shift differentials for Dispatchers:

	2nd shift	3rd shift
Average	0.70¢	0.75¢
Median	0.76¢	0.85¢



✓We recommend a differential of \$0.60 cents an hour for the 2nd shift and \$1.00 an hour differential for the 3rd shift. We propose using a flat dollar amount as it does not escalate cost as a percentage rate does. With the flat dollar amount, the Town is recognizing the value of working the second and third shift, without compounding the differential with the salary. Pay increases are the result of greater seniority/experience. We believe that working the 2nd or 3rd shift should not be compounded by a wage experience factor.

PERFORMANCE MANAGEMENT

We do not propose linking pay-to-performance for clerical/administrative staff at this time, with the exception that if an employee has notification of poor performance in their personnel file, then withholding a step increase or cost-of-living/general increase would be appropriate. We do, however, believe that conducting performance reviews of staff is appropriate. Our concern is that too often there is too much emphasis on the performance assessment form rather than understanding that performance management is a *process*. It is imperative that both managers and employees are provided training in providing constructive feedback and thoroughly understand the criteria upon which performance is to be assessed. In fact, we believe that if performance management is done correctly, there are no surprises when performance is actually reported, as ongoing performance discussions are conducted throughout the year, and the form is little more than documenting that these discussions did take place.

✓We recommend that Holliston establishes a performance management system to assess clerical/administrative staff performance; however, pay at this time should not be linked to performance. We have proposed a pay-for-performance approach for Town Hall management positions, and believe that this is a good place to pilot test the success of this approach before expanding pay-for-performance to other employee populations.



PRESENTATIONS

Upon completion of the classification and compensation study, we met with Department Heads to provide an overview of the study's results, and to provide Department Heads the final drafts of the job descriptions (post their feedback). Department Heads were provided with a spreadsheet listing of their employees, any proposed title change, proposed grade assignment, and how the employee could be affected by the study. Department Heads were cautioned that the study's results required Town Administration, Finance Committee and Selectmen approval before a funding proposal would be presented for Town Meeting.

Stone Consulting followed the presentation with Department Heads with summary presentations to employees. Our goal is always to ensure that a consistent message is conveyed regarding the study's findings and results. We left it to Department Heads to convey how employees would be personally impacted regarding the study's results. Our key concern is that an employee does not hear that their position has been recommended for a down-grade in an open public forum before they have heard the news themselves. This is the practice that Stone Consulting has used successfully for over twelve years in municipal compensation consulting. Copies of these presentations are presented as Exhibit 8 and Exhibit 9.



Management Compensation: Project Methodology

Stone Consulting used the same target labor market in conducting an analysis of Town management positions.

Position Title	Holliston Actual Pay	Municipal Market Survey Actual Pay (Median)	Holliston to Municipal
Town Administrator	105,796	126,682	-16.5%
Police Chief	91,000	104,906	-13.3%
Fire Chief	87,700	102,394	-14.4%
		93,125 ¹	-5.8%
Highway Superintendent	80,771	86,632 ²	-6.8%
Treasurer/Collector	79,271	78,746	0.7%
IT Coordinator	77,830	87,616	-11.2%
Police Lieutenant	89,815	79,731	12.6%
Assessor	73,833	73,389	0.6%
Building Inspector	77,122	70,489	9.4%
Town Accountant	72,100	79,674	-9.5%
Water Superintendent	83,288	72,331 ³	15.1%
Director, Youth and Family Services	68,257	69,477	-1.8%
Library Director	68,343	72,035	-5.1%
Health Director	72,119	71,233	1.2%
Planner ⁴	62,423	75,250	-17.0%
Town Clerk	55,000	64,793	-15.1%
Conservation Agent	53,808	60,651	-11.3%
Council on Aging Director	56,043	60,928	-8.0%
Recreation Director	55,339	55,099	0.4%
Administrative Assistant to the Town Administrator	53,929	54,258	-0.6%
Veteran's Agent	45,000	55,468 ⁵	-16.5%
		43,950	2.4%
Office Manager	47,103	45,737	3.0%

¹The lower figure of \$93,125 represents the 25th percentile of the market. This reading is presented because Holliston has an all-call Fire Department, and we therefore believe that the Fire Chief, who does not have permanent staff does not need to address the full scope of managerial issues, such as collective bargaining, firehouse facility accommodations, the scope of personnel issues, etc.

²Limited sample of two communities. Most communities have a Director of Public Works.

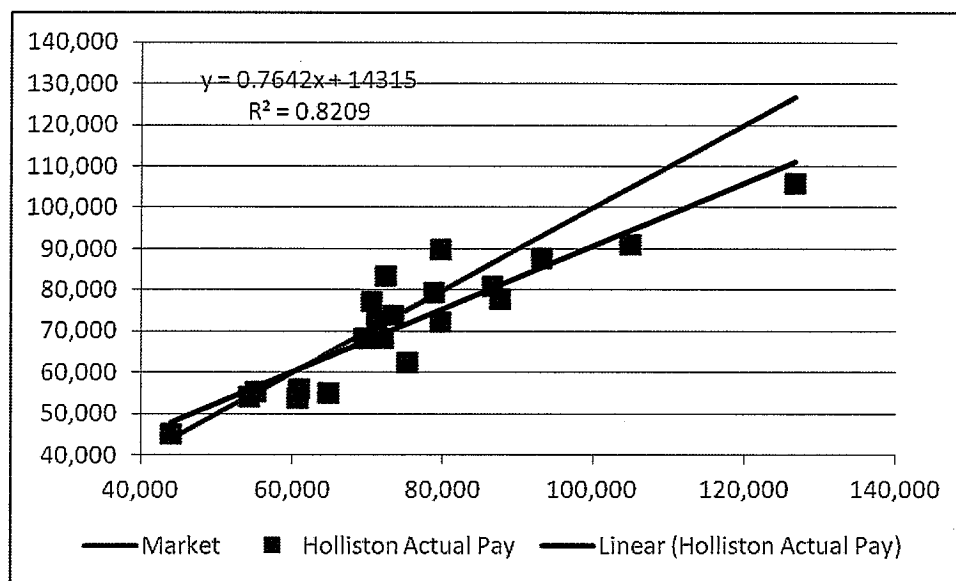
³Many of the communities surveyed matched this position to their Water and Sewer Superintendent.

⁴Employee data was annualized to a 40-hour work week to make a meaningful pay comparison.

⁵Limited sample of only 2 full-time Veterans Agent. The lower figure of \$43,950 is for an Outreach Worker in COA that we feel should be at a comparable level to that of a Veterans Agent



Below is a graphic of the above market data. The blue line is simply the intersection of the x- and y- axis. The red squares represent the pay of Holliston's management positions. Squares above the line indicate that Holliston is currently paying above the target labor market; squares below the blue line indicate that Holliston is currently paying below the target labor market. The red line is a regression line, or a line of best fit, through Holliston's actual pay. The equation of the line is presented in the upper left-hand corner of the graph. The r^2 indicates that 82% of Holliston's pay can be explained by the market data obtained. This is lower than we typically see with clients. A relationship in the .90's is preferred.



We reviewed the existing position descriptions on file for these positions (which were quite dated) and the market data to classify these positions using a whole-job ranking methodology. Positions were assigned to the closest midpoint on the pre-established salary structure.

SALARY STRUCTURE DESIGN

The salary structure has 8% differentials between grades and a 15% differential between grade M-12 and the Town Administrator. The salary range widths (salary range maximum divided by salary range minimum) is established at 35%. The structure is effective with salary rates as of 7/1/2011 and incorporates the \$750 shortfall in health care benefits.



The structure has a midpoint, which is the half-point within the range. The midpoint is considered the “going market rate” for an employee who is well-versed in their position responsibilities and meeting performance expectations.

PAY ADMINISTRATION

We have created three zones within the salary structure:

Learning: employees whose salary falls within the first-third of the salary range typically meet the minimum qualifications for the position, and have not had previous experience in a comparable position.

Achieving: employees whose salary falls within the middle-third of the salary range are considered fully qualified in the position, and are meeting performance expectations. This section of the salary structure is considered competitive market pay.

Excelling: employees whose salary falls within the upper-third of the salary range should be employees whose performance consistently exceeds expectations. As this pay zone is above the “going market rate” it is reserved to reward truly outstanding performance.

Unlike a step-based structure where employees quickly achieve the salary range maximum, in this structure pay is managed around the midpoint and the middle-third of the salary range. It is an extremely rare occurrence where an employee could achieve pay at the salary range maximum in an open-ended structure.

If an employee falls below the salary range minimum, and meets the minimum qualifications of the position, it is customary to provide an increase to at least the salary range minimum. If an employee falls into a pay zone that does not reflect their experience and performance, the idea is to provide greater earnings growth to those whose pay is lower than would be expected based upon their performance and experience, and to provide a minimal increase, or no increase to an employee whose in a zone that is higher than their experience or performance would warrant.



*Total Compensation and Classification Study
Town of Holliston
Final Report*

		Minimum	1/3 Point	Midpoint	2/3 Point	Maximum
		LEARNING		ACHIEVING		EXCELLING
Town Administrator		110,080	123,026.67	129,500	135,973.33	148,920
Vacant	M-12	95,130	106,323.33	111,920	117,516.67	128,710
Police Chief	M-11	88,090	98,450.00	103,630	108,810.00	119,170
Fire Chief	M-10	81,550	91,150.00	95,950	100,750.00	110,350
Vacant	M-9	75,530	84,410.00	88,850	93,290.00	102,170
Highway Suptd., IT Coordinator, Treasurer/Collector, Police Lieutenant	M-8	69,920	78,146.67	82,260	86,373.33	94,600
Assessor, Building Inspector, Town Accountant, Water Suptd.	M-7	64,740	72,360.00	76,170	79,980.00	87,600
Dir., Y & F Svcs., Library Dir., Health Director, Planner	M-6	59,950	67,003.33	70,530	74,056.67	81,110
Town Clerk	M-5	55,500	62,033.33	65,300	68,566.67	75,100
Conservation Agent, COA Director, Recreation Director, AA to Town Administrator	M-4	51,460	57,486.67	60,500	63,513.33	69,540
Vacant	M-3	47,610	53,203.33	56,000	58,796.67	64,390
Vacant	M-2	44,060	49,246.67	51,840	54,433.33	59,620
Office Manager , Veterans' Agent	M-1	40,800	45,600.00	48,000	50,400.00	55,200

We have remarked on the placement of the following positions where we deviated from strictly using the market data to assign the position to a grade.

Fire Chief

On page 51 we display two salary figures: \$93,125 reflects the 25th percentile reading, whereas \$102,394 reflects the median. As the Fire Chief manages a Call Department and does not have the diversity of managerial responsibilities including collective bargaining, and personnel management of a permanent work force, we recommend that the position is placed within the salary range based upon the 25th percentile figure. Alternatively, if it's the Town's desire to pay the position comparable to other Fire Chiefs that manage permanent firefighting departments with full EMT/ambulance services, larger staffs with diversified responsibilities (i.e., fire inspections, communications officer, other specialties, etc.) then we recommend that the position is placed at an M-11, the same level as the Police Chief.

Information Technology Coordinator

The market data collected for this position varied significantly. While the market median was \$87,616, the average was \$84,016. Internally, we are confident that the position is appropriately classified with the positions at the M-8 level, however, market demands suggest that the pay for this position is managed higher in the salary range, around the second-third point of the range.

Town Accountant

The market data would suggest that the Treasurer/Collector and the Town Accountant are placed in the same grade; however, the Treasurer/Collector has supervisory responsibilities whereas the Town Accountant is an individual contributor. We recommend a one grade differential between the positions.

Recreation Director

The median market data of \$55,099 would place this position at an M-3; however, the market average of the data is \$60,645 which is more in line with positions at an M-4 level. In making



comparisons to the other positions at the M-4 level, we are confident that the scope of responsibilities of the Recreation Director are comparable to those positions assigned to grade M-4.

Administrative Assistant to the Town Administrator

The market data gathered for this position would place the position at grade M-3; however, we believe that Holliston's position has a wider scope than most Administrative Assistants to the Town Administrator in that the position is given project responsibilities that go beyond secretarial functions. An example is the role that this position played in this Classification and Compensation study. The employee in the position participated in meetings with the consultant and the Town Administrator, reviewed and approved the job description questionnaire, job descriptions, and consultant's recommendations. This is atypical of other Administrative Assistants that we work with, and more in line with the responsibilities typically provided to an Assistant Town Administrator. Based upon our goal of maintaining equitable position relationships for clerical/secretarial/technical staff across Town and the School Department, we believe the position's scope is at a minimum comparable to that of the Executive Assistants in the School Superintendent's Office and should be assigned the same earnings opportunity, which would support placement of the position at grade M-4.



*Total Compensation and Classification Study
Town of Holliston
Final Report*

Position Title	Grade	Position in Range	Employee Pay (FTE)	Minimum	1/3 Point	Midpoint	2/3 Point	Maximum	Compa- Ratio
Town Administrator		Below Minimum	105,796	110,080	123,026.67	129,500	135,973.33	148,920	0.82
Police Chief	M-11	1	91,000	88,090	98,450.00	103,630	108,810.00	119,170	0.88
Fire Chief	M-10	1	87,700	81,550	91,150.00	95,950	100,750.00	110,350	0.91
Highway Suptd.	M-8	2	80,771	69,920	78,146.67	82,260	86,373.33	94,600	0.98
IT Coordinator	M-8	1	77,830	69,920	78,146.67	82,260	86,373.33	94,600	0.95
Treasurer/Collector	M-8	2	79,271	69,920	78,146.67	82,260	86,373.33	94,600	0.96
Lieutenant	M-8	3	89,815	69,920	78,146.67	82,260	86,373.33	94,600	1.09
Assessor	M-7	2	73,833	64,740	72,360.00	76,170	79,980.00	87,600	0.97
Building Inspector	M-7	2	77,122	64,740	72,360.00	76,170	79,980.00	87,600	1.01
Town Accountant	M-7	1	72,100	64,740	72,360.00	76,170	79,980.00	87,600	0.95
Water Superintendent	M-7	3	83,288	64,740	72,360.00	76,170	79,980.00	87,600	1.09
Dir., Y&F Services	M-6	2	68,257	59,950	67,003.33	70,530	74,056.67	81,110	0.96
Library Director	M-6	2	68,343	59,950	67,003.33	70,530	74,056.67	81,110	0.97
Health Director	M-6	2	72,119	59,950	67,003.33	70,530	74,056.67	81,110	1.02
Planner	M-6	1	63,180	59,950	67,003.33	70,530	74,056.67	81,110	0.90
Town Clerk	M-5	1	55,000	55,500	62,033.33	65,300	68,566.67	75,100	0.84
Conservation Agent	M-4	1	53,808	51,460	57,486.67	60,500	63,513.33	69,540	0.89
COA Director	M-4	1	56,043	51,460	57,486.67	60,500	63,513.33	69,540	0.93
Recreation Director	M-4	1	55,127	51,460	57,486.67	60,500	63,513.33	69,540	0.91
AA to Town Administrator	M-4	1	53,929	51,460	57,486.67	60,500	63,513.33	69,540	0.89
Office Manager	M-1	2	45,619	40,800	45,600.00	48,000	50,400.00	55,200	0.95

Position Title	Grade	Position in Range	Employee Pay (FTE)	Minimum	1/3 Point	Midpoint	2/3 Point	Maximum	Compa- Ratio
Office Manager	M-1	2	48,586	40,800	45,600.00	48,000	50,400.00	55,200	1.01
Veterans' Agent	M-1	1	45,000	40,800	45,600.00	48,000	50,400.00	55,200	0.94
TOTALS:			1,603,537	1,696,220					
Overall Compa-Ratio:			0.95						

Compa-ratio is a measure that takes the employee's pay and divides it by the midpoint. It is a measure that indicates where the employee is paid within the salary range. The overall compa-ratio is .95 indicating that overall, Holliston's contract employees are being paid 5% below the salary structure's midpoint, or 5% below target.



The graphic to the left illustrates the frequency distribution of where employees' salaries fall within the salary range. Ideally, in this type of pay structure, you would like to see a normal bell distribution with the bulk of employees in the middle-third of the salary range which is considered the competitive rate of pay for an employee who is well versed in position responsibilities and meeting performance expectations.

The goal is to manage pay so that no one's salary is below the salary range minimum, or above the salary range maximum.

✓We recommend Town Administration and Selectmen review the placement of positions within the grade structure. Consideration should be given to the incumbent's experience in the position in relationship to their placement within the salary range.

We have provided as Exhibit 10 and Exhibit 11, the management structure with a 1.5% and 2.0% increase to reflect July 1, 2012 rates.

✓We recommend that the job descriptions for existing Town Hall contract employees be revised using the standardized format established for those employees covered under the classification study.

✓The Executive Assistants in the Superintendent's office, and Resource Management Administrative Assistants, School Secretaries and the LAN Administrators' pay should be managed in a common salary structure in order to maintain equity between Town Hall and School Department positions.

Reference positions to be looked at as comparables would be the Administrative Assistant to the Town Administrator for Executive Assistant and IT Coordinator for the LAN Administrators. In order to classify the positions, a review of job descriptions would be necessary. We noted in the Executive Summary the existence of different benefit and pay practices between Town Hall and the School Department. We propose that these be reviewed to establish greater consistency across similar position populations. Potential realignment will require revisiting existing School Department employee contracts.



✓ We recommend the termination of employment agreements/contracts for management/professional staff both within Town Hall and the School Department with the exception of key management positions (i.e., Town Administrator, Police Chief, Fire Chief, Superintendent of Highway, School Superintendent, Assistant Superintendent, Business Manager and Student Services Director). The remaining positions can be incorporated through the Town's By-Law or separate policies and procedures. It appeared that there was a lot of commonality in the provisions of the contracts. As long as the personnel policies state that employees are "employees at will" we find no advantage of managing these employees' pay and benefits individually.

Health Care Plan Actuarial Review

Stone Consulting conducted a review of the medical plans of the Town of Holliston that were in effect, July, 2011. Our principal comments and conclusions are as follows:

- Data for only Holliston was largely unavailable, since Holliston is part of the West Suburban Health Group (WSHG) purchasing cooperative. We would urge Holliston to speak to your vendors to ensure in the future that Town-specific data is available.
- We analyzed costs for WSHG as a whole, and found, based on the information that was provided, the following:
 - d) prescription drug costs seem in line with expectations.
 - e) mental health and substance abuse costs are much higher than expected. This should be researched. We are particularly concerned that these results may not be indicative of Holliston but are reflective of other WSHG participants.
 - f) circulatory system costs are well above average. This might argue for some sort of related wellness program
- An analysis of large claims showed a higher percentage of these claims than we would have expected. We would recommend investigating these claims further to ascertain the types of services and also the provider(s) involved.



- An analysis of the trend on the Tufts plans indicates below market trends for the group.

DATA ANALYSIS

We obtained reports from the three carriers that currently provide medical benefits to Holliston: Harvard Community Health Plan (HCHP), Fallon Health Plan (Fallon), and Tufts Health Plans (Tufts). The data provided by Fallon was for Holliston only. The data provided by the other two carriers was for West Suburban Health Group (WSHG) in total. WSHG is the purchasing entity through which Holliston buys its healthcare benefits.

The bulk of the lives in WSHG are in the Tufts plans. Also, Tufts provided the most complete and detailed reports; therefore, the bulk of our analysis was based on Tufts data. In order to give Holliston an idea of the extent of the data provided, the following is information on the number of lives covered by the reports we received:

Plan	Data Source	Lives in Data
Tufts PPO	WSHG	18,252 member months ¹
Tufts EPO	WSHG	19,680 member months
Fallon Direct Care	Holliston, only	Approximately 35 members per year
Fallon Select Care	Holliston, only	Approximately 80 members per year
HCHP	WSHG	Approximately 500 members per year

¹One member month is one member covered for one month. This figure is equivalent to 1,521 employees covered for one year.

CLAIMS ANALYSIS

We sought to analyze case claims with a view to isolating areas that seem to be producing high levels of claims or higher than expected levels of claims. The goal is that we can then suggest cost-saving changes to the plan.



A) By Type of Service: Absolute levels

Data on claims by type of service was only available from Tufts, who did provide very detailed reports of great use. A summary of the information they provided is as follows:

Summary Category	2009 PMPM ¹	2009 % Distribution	2010 PMPM	2010 % Distribution
Inpatient Hospital	\$107.25	19.48%	\$102.52	17.80%
Other Facility	\$49.87	9.06%	\$51.39	8.92%
Physician	\$145.61	26.45%	\$159.39	27.67%
Other Services	\$166.21	30.19%	\$178.97	31.07%
Prescription Drugs	\$84.62	15.37%	\$88.12	15.30%
Other Adjustments	-\$2.99	-0.54%	-\$4.33	-0.75%
Total	\$550.57	100.00%	\$576.06	100.00%

¹Per member per month cost

The percentage of Inpatient Hospital Services in this report is rather low. This may reflect the way that Tufts has classified costs. Generally, Inpatient Hospital costs are about 50% of total costs. The Physician cost percentage is much higher than we typically see as is the total of "Other Services." Again, this may reflect the classification method behind the report. Prescription Drug costs of about 15% appear fairly typical.

For the PPO the results (only one year available) were as follows:

PPO Summary Category	2009 PMPM	2009 % Distribution	2010 PMPM	2010 % Distribution
Inpatient Hospital	NA	NA	\$88.12	19.01%
Other Facility	NA	NA	\$51.40	11.09%
Physician	NA	NA	\$123.54	26.65%
Other Services	NA	NA	\$137.62	29.69%
Prescription Drugs	NA	NA	\$62.57	13.50%
Other Adjustments	NA	NA	\$0.27	0.06%
Total	NA	NA	\$463.52	100.00%

Again, the Inpatient Hospital percentage is very low relative to the Physician and Other Service figures. The Prescription Drug percentage is reasonable.

We were able to compare the Prescription Drug component of total costs for Tufts to that for HCHP and Fallon. The results were as follows:

Pharmacy Claims by Plan	
HCHP Year 1	16.54%
HCHP Year 2	17.70%
HCHP Both Years	17.11%
Fallon Direct Care 2008-2009	18.79%
Fallon Direct Care 2009-2010	14.28%
Fallon Direct Care 2010-2011	18.47%
Fallon Direct Care All Years	16.98%
Fallon Select Care 2008-2009	16.74%
Fallon Select Care 2009-2010	13.91%
Fallon Select Care 2010-2011	9.56%
Fallon Select Care All Years	11.75%

These figures seem reasonable with the exception of the Fallon Select Care figure for 2010-2011. There was one very large non-pharmacy medical claim that year that skewed the figures by increasing total costs.

B) By Type of Service: Relative to Norms

Tufts furnished information showing how WSHG total experience compared to its overall experience with respect to costs by different service type. Those service categories with material costs and a large difference in percentage cost (either way) are worth examining. The categories we thought notable include the following:



Tufts EPO	WSHG 2010 PMPM¹	WSHG 2010 %	Tufts Total 2010 PMPM	Tufts Total 2010 %	WSHG % /TuftsTotal%²
Inpatient Mental Health	\$6.42	0.96%	\$2.45	0.50%	191.06%
Out-of-Net Outpatient Hospital	\$4.33	0.64%	\$1.95	0.40%	161.90%
Outpatient Facility	\$51.17	7.61%	\$46.87	9.57%	79.60%
Outpatient Mental Health	\$13.99	2.08%	\$8.43	1.72%	121.00%
Outpatient Substance Abuse	\$0.73	0.11%	\$0.33	0.07%	161.29%
Durable Medical Equipment	\$3.84	0.57%	\$4.94	1.01%	56.68%
Home Care	\$6.02	0.90%	\$2.95	0.60%	148.79%
Biotechnology/Injectables	\$13.93	2.07%	\$6.19	1.26%	164.08%
Tufts PPO	WSHG 2010 PMPM	WSHG 2010 %	Tufts Total 2010 PMPM	Tufts Total 2010 %	WSHG %/Tufts Total %
Inpatient Mental Health	\$1.05	0.16%	\$0.57	0.12%	134.31%
Outpatient Mental Health	\$11.58	1.72%	\$2.11	0.43%	400.15%
Outpatient Substance Abuse	\$0.20	0.03%	\$0.09	0.02%	162.03%
Durable Medical Equipment	\$3.46	0.51%	\$4.14	0.84%	60.94%
Biotechnology/Injectables	\$3.10	0.46%	\$6.52	1.33%	34.67%
Transportation	\$3.47	0.52%	\$4.04	0.82%	62.63%
Mail & Retail Drugs	\$50.08	7.45%	\$45.95	9.38%	79.47%
Specialty Pharmacy Drugs	\$12.49	1.86%	\$9.70	1.98%	93.88%

¹Per member per month cost

²This column gives the ratio of the WSHG percentage of overall expenses to the Total percentage of expenses for the particular expense category.

Several items are of particular interest:

- 1) Mental Health Costs are well above expected for both Inpatient and Outpatient. This is an issue that needs addressing, either through reduced benefits or employee assistance programs. We would recommend a study of these claims to determine their cause and any systematic patterns.
- 2) Outpatient Substance Abuse is above expected levels. This is likely correlated with mental health costs.



- 3) Durable Medical Equipment costs are significantly below expected. This should be researched.
- 4) Injectables are well above plan for the EPO and well below for the PPO. This could represent a limited number of claimants on the EPO side who are using these drugs well above expected levels.
- 5) Prescription drug usage on the PPO is significantly lower than expected.
- 6) Inpatient utilization of out-of-network hospitals is rather high for the EPO. This could indicate some number of people in the EPO that may prefer to select the PPO option.

C) Analysis by Disease

Tufts provided reports showing principal diagnoses and the level of claims for each. There were nineteen (19) such categories. We have computed the ratios of the actual claim level to the “expected” (plan-wide) figure for the most recent policy year for both the EPO and the PPO. We examined these with a view to finding significant variances, both positive and negative, that were consistent across both plans.

The most notable conditions are presented below:

Disease	EPO			PPO		
	Actual 2010	EPO Plan 2010	Relativity	Actual 2010	PPO Plan 2010	Relativity
Neoplasms	\$12.54	\$5.69	220.41%	\$13.43	\$7.19	186.82%
Circulatory System	\$17.56	\$10.42	168.54%	\$10.06	\$9.06	111.03%
Injury and Poisoning	\$8.40	\$5.62	149.55%	\$18.65	\$7.08	263.41%
Mental Disorders	\$6.42	\$2.49	257.70%	\$1.05	\$0.57	183.42%
Substance Abuse	\$3.64	\$0.68	535.35%	\$3.72	\$0.32	1162.82%

These figures are consistent with what we saw in the expenses by service type. Most notable are:

- 1) Very high cost for both mental health and substance abuse. We are curious as to whether these costs stem from employees, dependents, or both.
- 2) The high circulatory system costs would argue for some sort of wellness program oriented around these sorts of conditions.



- 3) A similar comment could be made for neoplasms. We are particularly interested in the possible impact of retirees on these conditions. There is also the question of whether retirees are disproportionately represented in the populations and in certain claim categories. Splitting these results out by actives versus retirees would be valuable.
- 4) The injury and poisoning claim levels may reflect differences in the population between WSHG and the rest of Tufts clients. We are curious as to whether these claims come from older retired employees or whether they come from a high percentage of young dependents.

The overall Per Member Per Month (PMPM) cost of these conditions is much higher for WSHG than for Tufts overall business. This should be examined. It may reflect a different population, potentially a much older one. An examination of the data provided showed the Tufts EPO has an average age of 40 and the PPO has an average age of 36. In contrast the overall Tufts block has an average age of 35 for both plans. This age difference could well account for part of the pattern; however, we believe that there exists an opportunity for costs to be lowered through benefit changes and wellness programs.

D) Large Claim Analysis and Frequency Analysis

Data on large claims was provided as follows:

Fallon: Data on claims greater than \$10,000 for the three policy years beginning in 2008-2009.

HCHP: None available

Tufts: Claims in excess of \$50,000 for the EPO and PPO separately.

We analyzed this data from two points of view:

- is the frequency of the large claims reasonable?
- what conditions are driving the large claims?

An analysis of Fallon experience and Tufts experience by plan is presented on the following page. We compare the actual number of claims greater than various levels to what we would have expected. The expected figures are based on national averages and are only a rough approximation of any particular network.



TUFTS

Claims Greater Than	EPO	Expected #	Ratio	PPO	Expected #	Ratio
\$ 50,000	25	11	219.40%	17	11	160.94%
60,000	19	8	233.59%	13	8	172.41%
75,000	17	5	317.01%	10	5	201.16%
100,000	11	3	369.28%	6	3	217.29%
125,000	5	1	395.48%	6	1	511.95%
150,000	4	1	316.39%	6	1	511.95%
175,000	1	1	79.10%	4	1	341.30%
200,000	0	0	NA	4	0	1,395.62%
300,000	0	0	NA	1	0	348.90%
400,000	0	0	NA	0	0	NA
500,000	0	0	NA	0	0	NA

FALLON

Claims Greater Than	Fallon Direct	Expected #	Ratio	Fallon Select	Expected #	Ratio
\$ 10,000	1	3	35.83%	10	7	151.1%
15,000	1	2	62.18%	10	4	262.2%
20,000	1	1	95.33%	10	2	402.0%
25,000	1	1	132.86%	9	2	504.2%
30,000	1	1	173.36%	5	1	365.5%
40,000	0	0	0.00%	5	1	583.2%
50,000	0	0	0.00%	3	1	520.4%
60,000	0	0	0.00%	3	0	728.9%
75,000	0	0	0.00%	3	0	1105.7%
100,000	0	0	0.00%	3	0	1990.5%
125,000	0	0	0.00%	2	0	3126.5%

While it is very difficult to compare a particular network's claims to that of a "standard" distribution, we do feel that the number of large claims for WSHG/Holliston is more than would be expected. Fallon Select figures are very high. Of course, there are not many members in this group and it could be a fluctuation. Alternatively, the results may reflect some sort of selection bias in that plan that should be researched.



Given the size of the block, the Tufts figures are much less likely to be subject to fluctuation. As was the case with the claims by service analysis, the high number of large claims may be the result of the characteristics of the population. Alternatively, we would recommend examining the PPO's provider contracts to see how the providers are paid. Structuring of the contracts in certain ways can lead to a disproportionate level of large claims.

HEALTH CARE COST TRENDS ANALYSIS

We obtained information on the last five years of rates on the Tufts plans in order to calculate the annual trend rate on the plans. The data is presented below:

Year	HMO Indv.	% Change	Navigator Indv.	% Change	HMO Family	% Change	Navigator Family	% Change
2007	\$220.40		\$200.00		\$577.60		\$524.40	
2008	\$231.60	5.08%	\$196.80	-1.60%	\$606.40	4.99%	\$515.60	-1.68%
2009	\$248.00	7.08%	\$210.40	6.91%	\$648.80	6.99%	\$551.60	6.98%
2010	\$272.80	10.00%	\$231.60	10.08%	\$714.00	10.05%	\$606.80	10.01%
2011	\$276.00	1.17%	\$234.40	1.21%	\$719.20	0.73%	\$611.60	0.79%
2012			\$248.00	5.80%			\$649.20	6.15%
		5.79%		4.40%		5.63%		4.36%

Note: The HMO plan changed to the "Benchmark" plan in 2012.

This data shows roughly a 5% trend for the years 2007-2012, which we consider quite favorable. The analysis assumes there were no changes in these plans over the period analyzed and that the demographic characteristics of the underlying populations were essentially unchanged over the period.

FINAL OBSERVATIONS

Performing an analysis of claims for Holliston only is impossible due to the grouping of the data. We strongly urge the Town to ask your healthcare vendors to split out results. This would not only help Holliston understand the sources of its costs but also allow the Town to assess the impact of other municipality's experience. Without this data, it is impossible to tell if Holliston is benefiting from the WSHG cooperative purchasing arrangement.

