



**Minutes of the Human Resources Committee
September 1, 2011**

The Human Resources Committee of the Rhode Island Housing and Mortgage Finance Corporation convened at 9:00 am on September 1, 2011 at the offices of Rhode Island Housing. Committee members present were Chairman DeRentis, Commissioners Monteiro and Commissioner McGreevy, constituting a quorum of the Committee. Also present were Richard Godfrey, Executive Director, Susan Bodington, Deputy Director for Programs and Policy, Kara Lachapelle Patricia Trinque, Human Resources Director, and Michael Milito, Deputy Assistant Director for Law and Human Resources. Commissioner Dimeo was also present for a portion of the meeting but did not participate in the discussions or votes

The publicly posted Committee agenda consisted of the following matter: Discussion of Human Resources Related Matters Relevant to Fiscal Year 2012 Budget. Two matters were considered by the Committee: i) overall salary and benefit recommendations for FY 2012, and ii) engagement of career transition consultant.

1. Salary and Benefits – FY 2012

To give some context regarding the recommendation regarding salary and benefits, Mr. Godfrey briefed the Committee on the results of a compensation study performed by an outside consultant engaged by the Board in FY 2011 to evaluate Rhode Island Housing's compensation system with regard to internal equity and external market comparison to public and private sector organization.

The compensation study revealed that Rhode Island Housing's classification system is sound and demonstrates a very strong correlation between a position's classification level and job complexity and responsibility. The relationship between salary and complexity is strongly linear. No changes were recommended to the classification system.

From a market comparability perspective, the study revealed that, compared to the public sector, Rhode Island Housing's salary is about 15.8% below the market average at the minimum of salary ranges, and 3.6% below at the midpoint across all jobs included in the survey. Rhode Island Housing is about 6.9% above market at the maximum of the range, though this is likely attributable to Rhode Island Housing's ranges being fewer in number but much wider than comparable public sector ranges.

Compared to the private sector, Rhode Island Housing is approximately 5.5% above market at the minimum of each range, 7.7% below comparable private sector compensation at the mid-point, and 17.7% below the public sector average at the maximum.

As to benefits, Rhode Island Housing's benefit package constitutes about 40% of total compensation, which is almost identical to public sector peer organizations (excluding the State of Rhode Island) and well below the benefits offered by the private sector (45.8% of total compensation) or for employees of the State of Rhode Island (49.2% of compensation at the median salary level.)

Mr. Godfrey next turned to the proposed budget for merit based salary increases for FY 2012 as well as changes to the employee share of medical insurance expenses. Staff proposed that a budget for merit-based salary increases of 3.0% on average, with implementation delayed for 6 months until January 1, 2012, be approved for FY 2012. This proposal is consistent with the findings of the compensation survey.

In making this recommendation, staff noted that the State of Rhode Island's collective bargaining agreement with its largest union provided for a 3.0% cost of living salary increase on January 1, 2011 and an additional 3.0% increase on July 1, 2011 for FY 2012. In addition, staff noted that the other nearby housing finance agencies anticipate salary increases of 0% to 3.0% in FY 2012, with a similar projected range for other quasi-public corporations in Rhode Island. Staff recommends that salary increases be made effective January 1, 2012, rather than retroactive to July 1, 2011, the start of the fiscal year, as has been the usual practice, in light of the current economic climate in the State. Finally, staff recommends that effective January 1, 2012, employee contributions toward the cost of health insurance be increased from the current 8.5% to 12.5%, with a cap of 3.0% of salary.

Following a period of discussion, on a motion made by Commissioner Monteiro and seconded by Commissioner McGreevy, the Committee unanimously voted to recommend to the Board of Commissioners that: i) a merit-based salary increase averaging 3.0%, with implementation postponed to January 1, 2012, be budgeted for FY 2012, and ii) employee contributions for health insurance be increased to 12.5% of cost, with a cap of 3.0% of salary, be made effective January 1, 2012.

2. Engagement of Career Transition Consultant

The Committee next considered staff's recommendation that Rhode Island Housing engage the firm of Lee Hecht Harrison to provide career transition services to displaced or at-risk employees. At its most recent meeting, the Board of Commissioner's tabled this item for consideration at a future meeting and requested that staff address the issues that were raised at the meeting.

Two principal issues were of noted. First, there was a concern that if Rhode Island Housing provided outplacement services to employees, we would be establishing a

precedent that other public agencies might not be able to meet; and second, whether the provision of outplacement services would pay for itself through decreased expenses to Rhode Island Housing.

As to the first point, staff reached out to a number of similar public corporations to determine whether they have offered, or would consider offering, outplacement services in the case of a reduction in force. We received responses from the following organizations:

- Rhode Island Airport Corporation – RIAC has used outplacement consultants in past reductions in force. RIAC engaged the firm of Lee Hecht Harrison, the firm that Rhode Island Housing is proposing to engage. In addition, some RIAC employees are represented by unions, and the contract contains provisions dealing with layoffs.
- Rhode Island Economic Development Corporation – RIEDC recently experienced a downsizing and offered affected employees outplacement services. RIEDC engaged the firm of Lee Hecht Harrison, the firm that Rhode Island Housing is proposing to engage, and were very satisfied with their services.
- Narragansett Bay Commission – NBC has not had any reductions in force so have not had the need for these services. There are 2 unions representing employees at NBC and their counsel believes that the union contracts contain provisions dealing with layoffs.
- Rhode Island Student Loan Authority – RISLA had a small reduction in force about a year ago and decided that there was no need for outplacement services due to the nature of the reduction.

As to the second point, staff believes that Rhode Island Housing will realize savings well beyond the cost of the outplacement services. Assuming the worst case budget scenario we project a reduction in force of 18 employees. Since Rhode Island Housing is self-insured for unemployment benefits, all unemployment benefits paid to laid-off employees are a direct cost to the organization. Based on current unemployment weeks of coverage and payment levels, Rhode Island Housing has a potential exposure of approximately \$25,000/per person (\$551 week for 46 weeks), or about \$450,000 overall. Data from the Bureau of Labor Statistics show that the average time to reemployment is about 32 weeks, which indicates a possible exposure to Rhode Island Housing of approximately \$17,600 per person, or about \$316,800 overall.

The estimated cost to provide basic outplacement services for up to 20 employees is \$8,700. According to Lee Hecht Harrison, the average time to reemployment for employees who go through their program is about 18 weeks. Rhode Island Housing's exposure in that case would be about \$10,000 per employee, or \$180,000 overall. Thus,

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the expenditure of \$8,700 for outplacement services will likely reduce Rhode Island Housing's overall exposure for unemployment benefits by about \$270,000 in the worst-case scenario, and \$136,000 in a more optimistic scenario.

Following a period of discussion, on a motion made by Commissioner Monteiro and seconded by Commissioner McGreevy, the Committee unanimously voted to recommend to the Board of Commissioners that the firm of Lee Hecht Harrison be engaged to provide career transition services to displaced or at-risk employees.

There being no further business, the meeting was adjourned at 9:50 am.

Respectfully Submitted:

Chairperson

Date