Total Compensation Market Analysis
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Executive Summary
Executive Summary: Compensation Analysis

- Hewitt defines the market competitive range for cash compensation (base salary) as +/- 10% of market.
- Purdue uses quality surveys (CUPA, AAUP, and Compdata) in its assessment of cash compensation.
- The analysis includes all full, associate, and assistant faculty jobs and 43% of staff jobs (representing 56% of staff population) which is excellent coverage.
- Purdue’s current salaries, on average, are market competitive across faculty, exempt staff, and nonexempt staff populations.
- There are no material differences in market competitiveness for base salaries across the three faculty ranks.
- Base salaries for lower paid staff positions are less market competitive than higher paid staff positions among both exempt and nonexempt populations.
Executive Summary: Benefits Analysis

- Hewitt defines the market competitive range for benefits as +/- 5% of market
- The analysis considers only the University-provided benefit value (plan values are net of faculty and staff contributions)
- Retirement income and healthcare are the two largest benefit areas; death and disability benefits have smaller value (time off with pay is not included to avoid double-counting in Total Compensation analysis)
- Overall benefits program is approximately 120% of the market average across faculty, exempt staff, and nonexempt staff employee groups
- Purdue’s Retirement Income benefits for faculty and exempt staff generally produce 140% - 210% of the value provided by peers
- Purdue’s healthcare benefits are generally at market for salary bands above $40,000, but above market for those below $40,000 due to the current breakpoints for active medical contributions
- The lack of retiree healthcare subsidies at Purdue brings the total healthcare value below market for faculty and to the market average for exempt staff
Executive Summary: Total Compensation

Observations

- Hewitt defines the market competitive range for total compensation as +/- 10% of market
- Purdue’s current total compensation position is market competitive, on average, across faculty, exempt staff, and nonexempt staff populations
  - “Rich” benefit values create a slight total compensation “lead” on the market although they remain within the market competitive range
  - Relative competitive position of total compensation by salary band tends to follow corresponding cash compensation values since:
    > Benefit values are a smaller component of total compensation
    > The value of some benefit components are derived directly from salaries at each level
Executive Summary: Total Compensation

Recommendations

- Purdue should consider reducing certain benefit components (e.g., retirement income benefits) to bring benefit values more in line with market practice
  - These modifications will retain Purdue’s total compensation at market competitive norms

- Higher education institutions are moving forward with regular salary increase adjustments in 2010. Purdue should provide a market competitive adjustment to its base salaries in the upcoming cycle
  - While comprehensive salary budgeting surveys have not yet been conducted, our consulting experience indicates that most higher education institutions are planning on 2.0 to 2.5% adjustments
Project Overview
Project Overview—Background

- In 2008–2009 assessed the benefits and work-life programs offered to faculty and staff
  - Analysis included benchmarking, quantitative, and qualitative analysis of benefits and work-life initiatives
  - Results indicated benefits and work-life programs were at or above market overall and very highly valued by faculty and staff
- In 2010 assessing competitive position of total compensation
  - Analysis includes quantitative benchmark analysis of pay, benefits, and combined total compensation
### Three Phases of Competitive Analysis:

<table>
<thead>
<tr>
<th>Benefits</th>
<th>Compensation</th>
<th>Total Compensation</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Benefit Index® from 2008 updated, including most of same comparator organizations &lt;br&gt;- Shows relative value and competitive positioning of each benefit area (i.e., retirement, healthcare) and in total &lt;br&gt;- Separate studies for faculty, exempt staff, and nonexempt staff</td>
<td>- Analysis based on published data from AAUP, CUPA, and Comdata &lt;br&gt;- Separate analysis for faculty, exempt staff, and nonexempt staff &lt;br&gt;- Focus of compensation analysis based on salary-to-salary comparisons; excludes bonus</td>
<td>- Value of benefits “monetized” and combined with average cash compensation to show market positioning of total compensation &lt;br&gt;- Total compensation values derived by “rank” for faculty and by “salary band” for exempt and nonexempt staff &lt;br&gt;- Competitive position expressed as % of market value for each level</td>
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Benefit Index—Methodology and Participation

<table>
<thead>
<tr>
<th>What It Measures . . .</th>
<th>What It's Used For . . .</th>
<th>Methodology . . .</th>
</tr>
</thead>
</table>
| - Total program value and employer-paid value for:  
  - Retirement  
  - Life (active and retiree)  
  - Disability  
  - Healthcare (active and retiree)  
  - Dependent Tuition (faculty only)  
  - Time Off With Pay (staff only)  
- While Benefit Index includes Time Off, it is excluded from the Total Compensation analysis to avoid double-counting | - Measure relative “value” and competitiveness of benefit programs  
- Align with organizational objectives  
- Model proposed plan changes  
- Communicate with senior management and employees | - Compares economic value—not cost or perceived value  
- Standard populations used for benefit valuations  
- Consistent assumptions and actuarial methods  
- Comparator group chosen by Purdue  
- Total value (plan design value) and employer-paid value measured for each benefit area  
- Comparator group average = 100; Purdue value expressed as percentage of 100  
- Employers consider 95 to 105 to be competitive |

### Faculty (17)
- Georgia Institute of Technology  
- Indiana University  
- Iowa State University  
- Kansas State University  
- Michigan State University  
- Northwestern University  
- Ohio State University  
- Pennsylvania State University  
- Texas A&M University  
- University of California  
- University of Georgia  
- University of Illinois  
- The University of Iowa  
- University of Michigan  
- University of Minnesota  
- University of Texas  
- University of Wisconsin

### Exempt Staff (8)
- Caterpillar Inc.  
- City of Lafayette  
- Clarian Health Partners  
- Eli Lilly and Company  
- J.P. Morgan Chase & Co.  
- The Lafayette Life Insurance Company  
- State Farm Insurance Companies  
- Wabash National

### Nonexempt Staff (10)
- Alcoa Inc.  
- Caterpillar Inc.  
- City of Lafayette  
- Duke Energy  
- Eli Lilly and Company  
- The Home Depot  
- Lowe’s Companies, Inc.  
- Sears Holdings Corporation  
- Wabash National  
- Wal-Mart Stores, Inc.
Pay Analysis—Methodology

- Hewitt conducted competitive assessments for both faculty and staff positions
  - For faculty, data was extracted from AAUP and CUPA surveys
    > AAUP peer group comprised of 13 institutions similar to Purdue in geography, size, and/or mission (the CIC group); data reported by rank only
    > CUPA peer group comprised of “All Doctoral” institutions; data reported by both rank and discipline
    > 100% of faculty jobs were matched to AAUP data and 97% of jobs were matched to CUPA data representing 100% and 98% of the faculty population, respectively
  - For staff, data was extracted from CUPA Admin, CUPA Mid-level, and Compdata, a local geographic survey representing both for-profit and not-for-profit organizations
    > CUPA surveys used primarily for exempt level positions; Compdata used for both exempt and nonexempt positions
    > CUPA Mid-Level peer group comprised of the CIC group; CUPA Admin comprised of “All Doctoral” institutions; Compdata included all participants whether for-profit or not-for-profit
    > 43% of staff jobs were matched to survey data representing 56% of the staff population
- The blending of peer groups is common in cash compensation analyses and reflective of Hewitt analyses conducted for other higher education and not-for-profit clients
Total Compensation Analysis—Methodology

- Cash compensation (salary) values are already expressed in monetary terms, so a direct comparison between Purdue’s salaries and the external market is simple and straightforward.

- Benefit Index values represent economic values, not cost or perceived value:
  - Economic value is the distribution that is “expected” by a typical individual.
  - May be higher or lower than the actual cost and does not assess whether that benefit is of high or low emotional value to the person.
  - Actuarial assumptions and valuation methodologies are used to derive the economic values.
  - The external market represents the “base” consistent with the cash compensation comparisons.

- Since the proportion of salary-to-benefit values changes at different salary levels, a number of clusters/salary bands were established to represent market positioning at different pay levels:
  - For faculty, 3 groupings were used—Assistant Professors, Associate Professors, and Full Professors.
  - For exempt and nonexempt staff:
    > Salary bands of $10,000 were established.
    > Above $100,000 the salary bands were progressively widened since fewer incumbents and external job matches were reported.
Total Compensation Analysis—Methodology

- Purdue’s average salary and average benefit value were added together for each salary band
- Market average salary and average benefit value were added together for each salary band
- Purdue’s total compensation was compared to the market total compensation to calculate the Purdue/Market total compensation position
  - Benefit values are smaller than corresponding cash compensation values and therefore the separate percent to market for salary and for benefit values cannot simply be “averaged”
Summary of Results
Total Compensation Analysis—Comments

- The measurement and assessment of the external market follows a structured and consistent process—but there are challenges:
  - The market is dynamic and there are inevitable differences in peer groupings across surveys and within surveys across time
  - Inasmuch as every organization is unique, the establishment of exact job matches is not possible
    - Compensation theory states that a 75% overlap of duties and responsibilities represents “a match”
  - Differences in incumbent pay due to performance, experience, and scope factors also add dispersion to the data
- For these reasons, we often observe greater variation in comparative compensation values than in comparative benefit values
Total Compensation Analysis—Comments

- For purposes of defining “competitive” we see a range above and below market as being “market competitive”
  - For compensation analysis: +/- 10% of market
  - For Benefit Index: +/- 5 index points
  - For total compensation: +/- 10% of market

- Other factors can also be considered:
  - Being 10% above the 75th or 90th percentile of the market (if that is a competitive goal) is different than being 10% above the median of the market
  - The state of the market—being 10% behind a rising market, or 10% above a falling market—represent additional risk than what exists in a “stable” market
Overall Base Salary

Overall Base Salary Comparison to Market

Market Competitive Range

Faculty: 98.6%
Exempt Staff: 95.2%
Nonexempt Staff: 97.1%
Overall Benefits

**Notes:**
- Represents competitive positioning of Purdue’s benefit values by employee group
- Benefit values represent the employer-paid benefit value; Employer-paid value is equal to the total value of benefits less the faculty/staff contributions
- Benefits include Retirement Income, Life, Long-Term Disability, and Healthcare; for faculty Dependent Tuition Reimbursement is also included
Overall Total Compensation

Overall Total Compensation Comparison to Market

Market Competitive Range

Faculty: 103.9%
Exempt Staff: 101.4%
Nonexempt Staff: 102.9%
Faculty Base Salary

Faculty Base Salary Comparison to Market

Overall: 98.6%

Market Competitive Range

103.7% - Assistant Professor
97.6% - Associate Professor
97.0% - Full Professor
Faculty Benefits

Notes:
- Represents competitive positioning of Purdue’s benefit values by employee group
- Benefit values represent the employer-paid benefit value; Employer-paid value is equal to the total value of benefits less the faculty/staff contributions
- Benefits include Retirement Income, Life, Long-Term Disability, Healthcare and Dependent Tuition Reimbursement
Faculty Total Compensation

Faculty Total Compensation Comparison to Market

Overall: 103.9%

Market Competitive Range

- Assistant Professor: 108.3%
- Associate Professor: 103.0%
- Full Professor: 102.5%
Exempt Staff Base Salary

Exempt Staff
Base Salary Comparison to Market

Market Competitive Range

Salary Band

Overall: 95.2%
Exempt Staff Benefits

Notes:
- Represents competitive positioning of Purdue’s benefit values by employee group
- Benefit values represent the employer-paid benefit value; Employer-paid value is equal to the total value of benefits less the faculty/staff contributions
- Benefits include Retirement Income, Life, Long-Term Disability, and Healthcare

Exempt Staff
Benefits Comparison to Market

Overall: 120.5%
Exempt Staff Total Compensation

Exempt Staff
Total Compensation Comparison to Market

Overall: 101.4%
Nonexempt Staff Base Salary

Nonexempt Staff Base Salary Comparison to Market

Overall: 97.1%

Market Competitive Range

- $10K-$20K: 84.5%
- $20K-$30K: 88.7%
- $30K-$40K: 102.8%
- $40K-$50K: 110.8%
- >$50K: 109.0%
Nonexempt Staff Benefits

**Notes:**
- Represents competitive positioning of Purdue’s benefit values by employee group
- Benefit values represent the employer-paid benefit value; Employer-paid value is equal to the total value of benefits less the faculty/staff contributions
- Benefits include Retirement Income, Life, Long-Term Disability, and Healthcare
Nonexempt Staff Total Compensation

Nonexempt Staff Total Compensation Comparison to Market

Overall: 102.9%
# Employee Count: By Salary Band

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Detailed Benefits Analysis
Faculty Retirement Income Benefits

Faculty Retirement Income Benefits Comparison to Market

Overall: 145.9%

Assistant Professor: 157.4%
Associate Professor: 148.6%
Full Professor: 139.7%
Faculty Retirement Income Benefits

- Retirement Income includes defined benefit (DB) pension plans and defined contribution (DC) plans (matching and non-matching)
- Peer universities generally provide DC plans, though some offer one-time choice between DB and DC
- The average university DC contribution is 9.4% of pay
  - About 75% of the peer universities require faculty contributions to receive the full university contribution
  - The faculty contribution averages about 5.7% of pay
- The Purdue contribution is 11% of pay up to $9,000 and 15% of pay over $9,000
  - Roughly 50% larger than the peer university average
Exempt Staff Retirement Income Benefits

Exempt Staff
Retirement Income Benefits Comparison to Market

Overall: 172.6%
Exempt Staff Retirement Income Benefits

- Retirement Income includes defined benefit (DB) pension plans and defined contribution (DC) plans (matching and non-matching)
- Peer organizations generally have either a DB or DC plan, plus a 401(k) matched savings plan
- The typical peer provides a DB plan or a DC plan contribution of about 5% of pay, with more than half offering an additional 4-5% of pay to employees who participate fully in the 401(k)
- The Purdue contribution is 11% of pay up to $9,000 and 15% of pay over $9,000
  - More than 50% larger than the peer company average
Nonexempt Staff Retirement Income Benefits

Nonexempt Staff Retirement Income Benefits Comparison to Market

Overall: 123.3%

98.3% 106.7% 126.4% 136.9% 187.1%

$10K-$20K $20K-$30K $30K-$40K $40K-$50K >$50K
Nonexempt Staff Retirement Income Benefits

- Retirement Income includes defined benefit (DB) pension plans and defined contribution (DC) plans (matching and non-matching)
- Among 10 peers:
  - Four have either a DB or DC plan plus a 401(k)
  - Two only have a DB or DC plan (no 401(k))
  - Four only have a 401(k)—however, two of these four companies have recently suspended that match
- The typical peer company DB or DC plan contribution is worth about 4-5% of pay, and the average full participation 401(k) contribution is about 4-5% of pay
- Since most peers are not providing both a 401(k) and a noncontributory plan (DB or DC), the majority of the peers are providing less than 5% of pay (where the DB plan values are assumed to be roughly 5% of pay)
- The Purdue benefit includes a traditional pension and a 3% noncontributory savings plan contribution
- Versus the 10 peers, only two organizations are providing a richer retirement program overall
Faculty Healthcare Benefits

Faculty Healthcare Benefits Comparison to Market

Overall: 95.4%

95.2%  95.4%  95.5%

Assistant Professor  Associate Professor  Full Professor
Faculty Healthcare Benefits

- Healthcare includes preretirement and postretirement medical, dental, vision and hearing
- Purdue's active faculty enrollment is divided evenly between the 100% PPO option and the 85% PPO option
- The 100% option is richer than the typical peer university PPO plan, but the peers have 30% faculty enrollment in HMOs with similar plan value
- Purdue's contribution rates for active medical coverage are smaller than average
  - About 25% of universities vary faculty contributions by pay, like Purdue
- Dental options at Purdue are well below average in design value, and Purdue's contribution requirements are larger than average
- About 75% of the peer universities subsidize the cost of retiree medical coverage
- Purdue's active healthcare values for faculty are at about 101% of market, but Purdue's overall healthcare value is at about 95% of market when retiree healthcare is included
Exempt Staff Healthcare Benefits

Exempt Staff
Healthcare Benefits Comparison to Market

Overall: 100.2%
Exempt Staff Healthcare Benefits

- Healthcare includes preretirement and postretirement medical, dental, vision and hearing
- Purdue's exempt staff enrollment is divided evenly between the 100% PPO option and the 85% PPO option
- The 100% option is richer than the typical peer organization PPO plan, but the peers have 15% employee enrollment in HMOs with similar plan value
- Purdue's contribution rates for active medical coverage are smaller than average
  - About 15% of general industry varies contributions by pay for exempt salaried employees
- Dental options at Purdue are well below average in design value, and Purdue's contribution requirements are larger than average
- About 50% of the peer organizations subsidize the cost of retiree medical coverage
- Purdue's active healthcare values for exempt staff are at about 104% of market, but Purdue's overall healthcare value is at about 100% of market when retiree healthcare is included
Nonexempt Staff Healthcare Benefits

Nonexempt Staff Healthcare Benefits Comparison to Market

Overall: 116.2%

<table>
<thead>
<tr>
<th>Salary Band</th>
<th>Percentage</th>
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<tbody>
<tr>
<td>$10K-$20K</td>
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<tr>
<td>$20K-$30K</td>
<td>116.9%</td>
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<tr>
<td>$30K-$40K</td>
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</tr>
<tr>
<td>$40K-$50K</td>
<td>110.7%</td>
</tr>
<tr>
<td>&gt;$50K</td>
<td>108.5%</td>
</tr>
</tbody>
</table>

Overall: 116.2%
Nonexempt Staff Healthcare Benefits

- Healthcare includes preretirement and postretirement medical, dental, vision and hearing

- About 40% of Purdue's nonexempt staff is enrolled in the 100% PPO option and the remaining 60% is in the 85% PPO option

- The 100% option is richer than the typical peer organization PPO plan, but the peers have 15% employee enrollment in HMOs with similar plan value

- Purdue's contribution rates for active medical coverage—particularly those for pay levels below $40,000—are smaller than average
  - Less than 10% of general industry varies contributions by pay for nonexempt employees

- Dental options at Purdue are well below average in design value, and Purdue's contribution requirements are larger than average

- Only 20% of the peer organizations subsidize the cost of retiree medical coverage to any extent

- Purdue's active healthcare values for nonexempt staff are at about 116% of market, and because there is almost no retiree healthcare value provided by the peers, Purdue's overall healthcare value is also about 116%