



# Compensation Study

Project Overview and Early Findings  
December 7, 2015



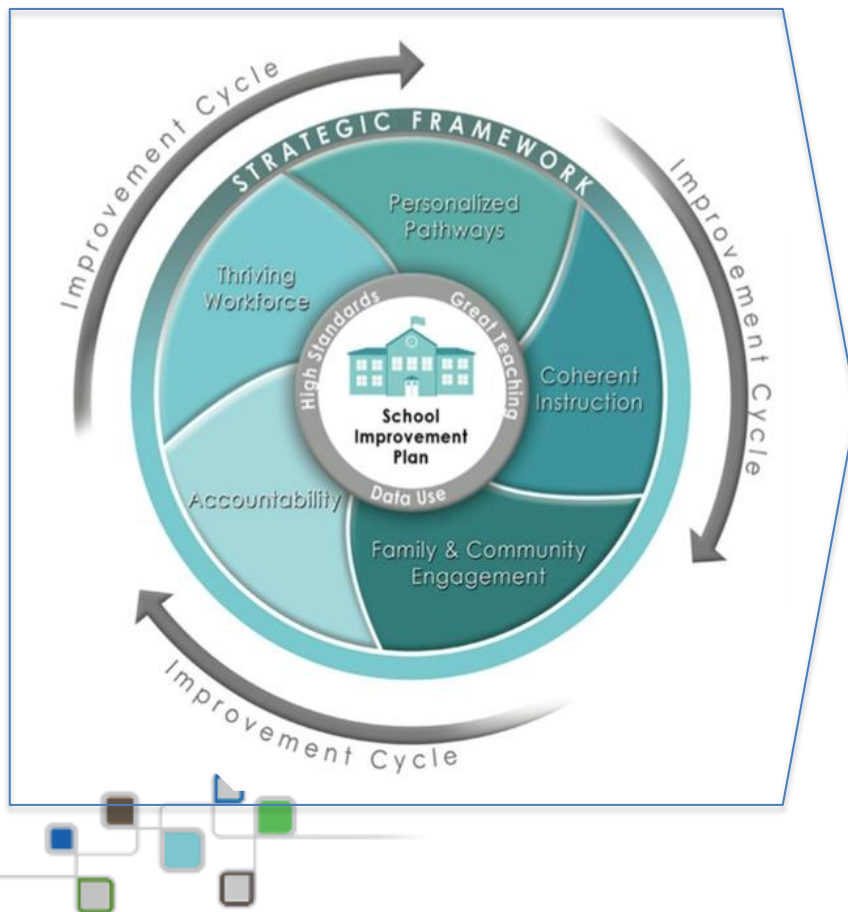
# Agenda

- Project Overview – Framework & Methodology
- Madison's Context
- Emerging Findings
- Opportunities and Next Steps



# This compensation study is grounded in MMSD's strategic plan

Delivering on MMSD's promise to students demands that the district **attract and keep great teachers, leaders, and other professionals**. Madison wants to ensure that its compensation system recognizes and values its employees as the professionals they are.



Madison seeks to establish a compensation plan for teachers, administrators, & professionals that:

- Is **competitive and equitable**
- Is **simple and easy to understand**
- Promotes **employee engagement and retention**
- Supports the **recruitment and selection of high-quality educators who represent the diversity** of our student population
- Ensures that **our students access the people and instruction** they need to succeed
- Supports the district's **financial sustainability**

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# Compensation is an important tool – and one of many levers – MMSD can use to create and maintain a thriving workforce

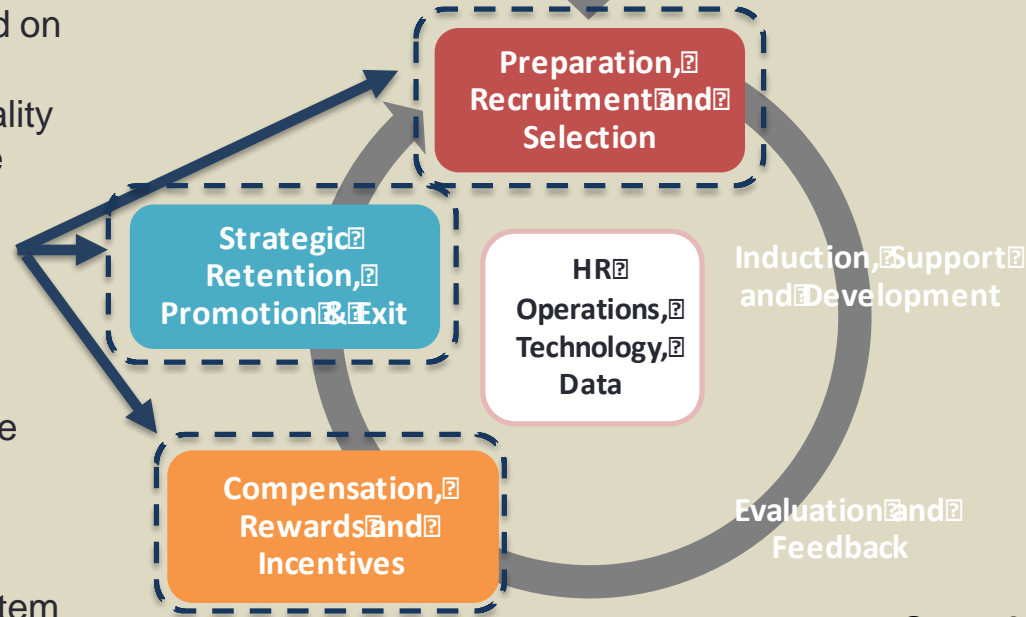
1. When assessing districts, the C&J team seeks to understand how talent management strategies are aligned with the district's vision for student achievement.

District's Vision and  
Stated Expectations for  
Student Achievement

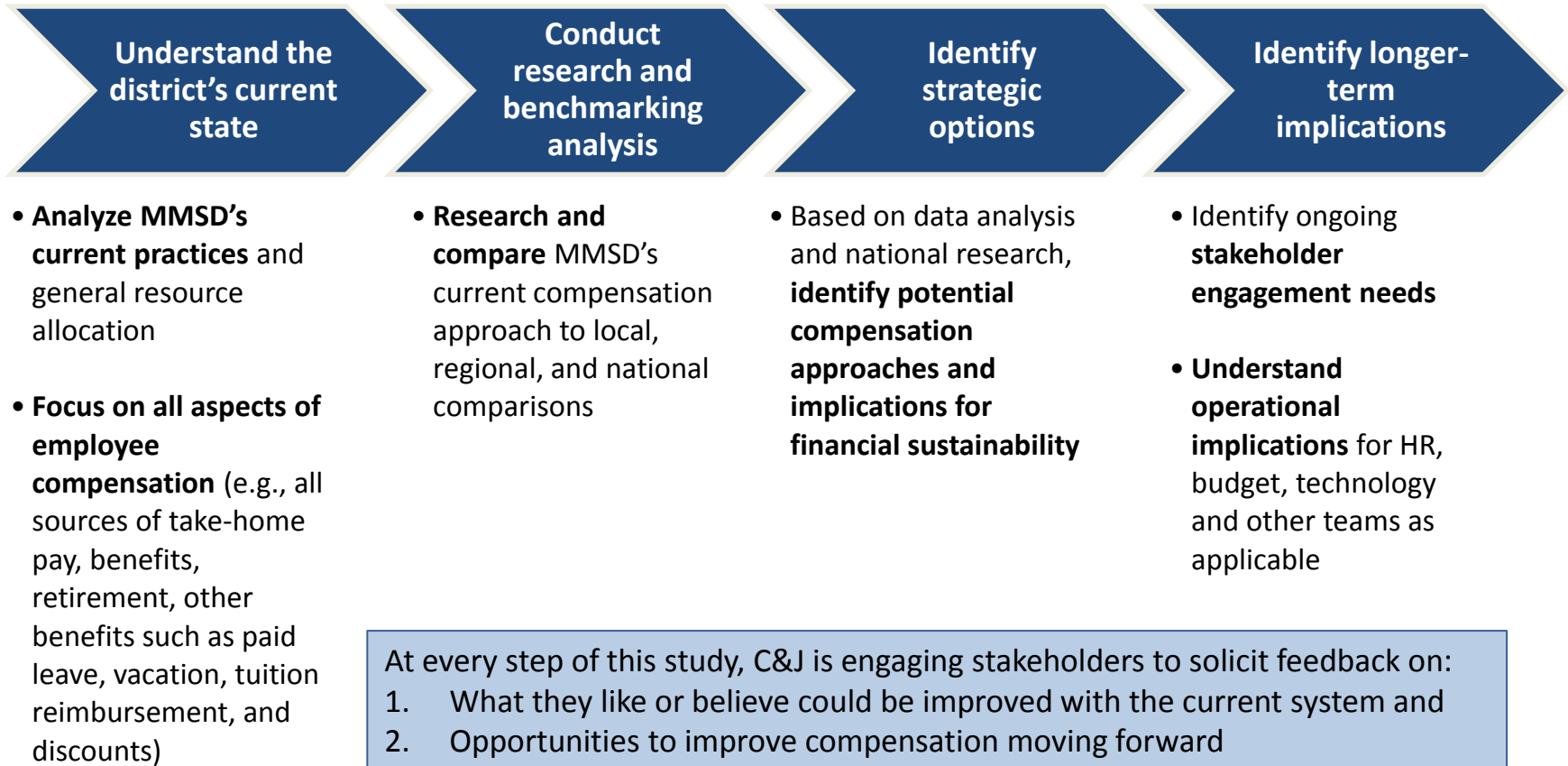
Clear Definition of  
Performance  
Expectations

2. This study focused on compensation to support a high quality workforce to serve MMSD's students.

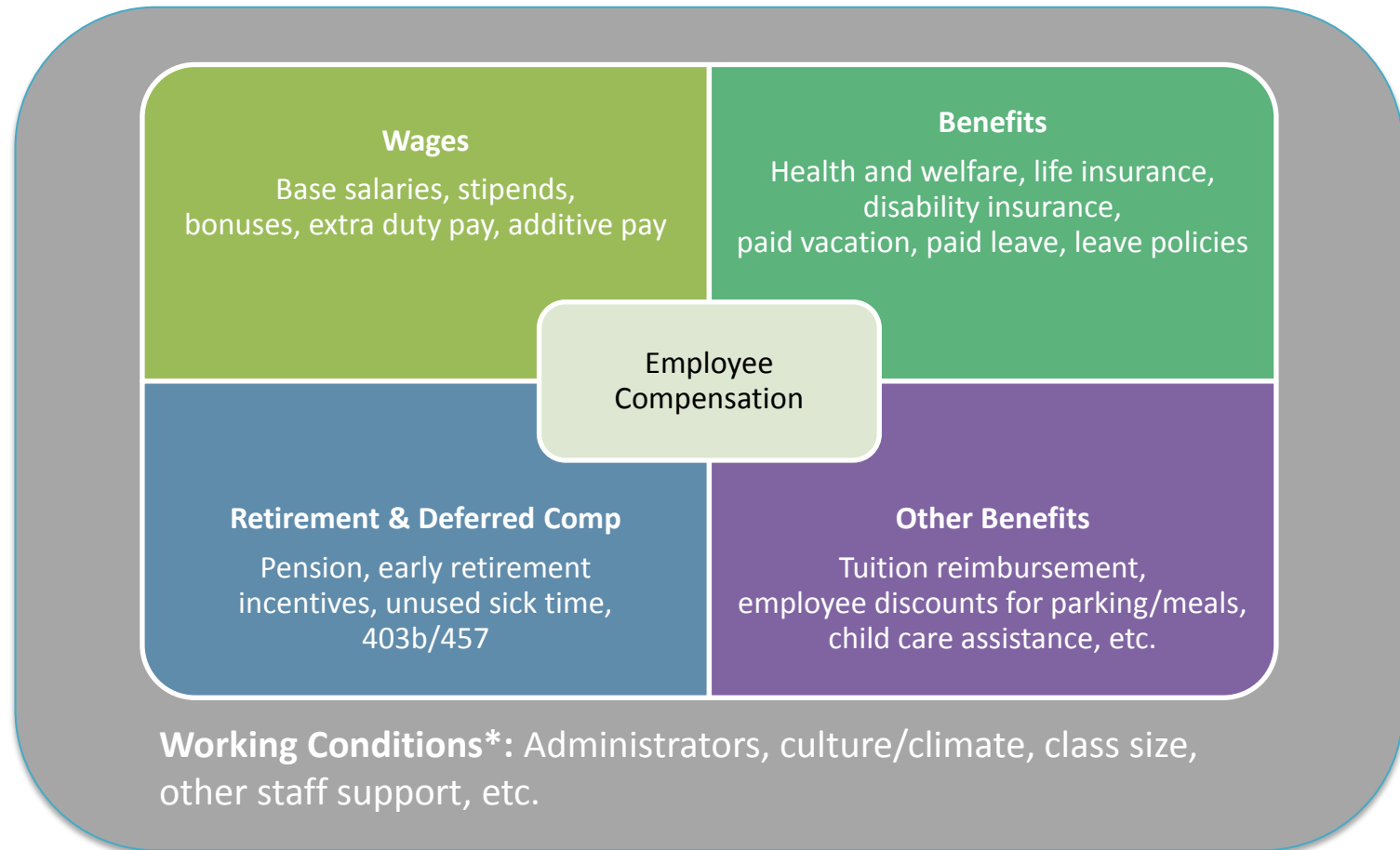
3. Recruitment and retention were considered to the extent that they are influenced or strengthened by a strategic compensation system



# This compensation study focuses on understanding MMSD's current state and comparing MMSD to research and benchmarks



# C&J's compensation framework examines everything with a monetary value that is offered to employees to join and stay in their jobs



*Note: Historically, MMSD staff have presented health & welfare and retirement costs in one lump sum called "benefits." In this study, we separate these costs into two distinct categories.*

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\* Working conditions will be considered to the extent that they are influenced or strengthened by a strategic compensation system.

# To create a compensation plan that meets the district's needs and goals, MMSD wanted to better understand these questions

Does our current compensation plan enable us to:

- **Attract the employees** we need to be successful (e.g., enough high-potential candidates for all openings, whenever we have those openings)?
- **Recognize and retain** our strongest performers?

Does our current compensation plan reflect our values?

- Does it **reflect a professional view** of our teachers, leaders and staff?
- Does it help us to **cultivate high-performing staff who reflect the students we serve**?
- Does it help us **ensure that our hardest-to-staff schools and subjects have the people resources** they need to serve students effectively?
- Is it **financially sustainable**, both now and in the future?



# Agenda

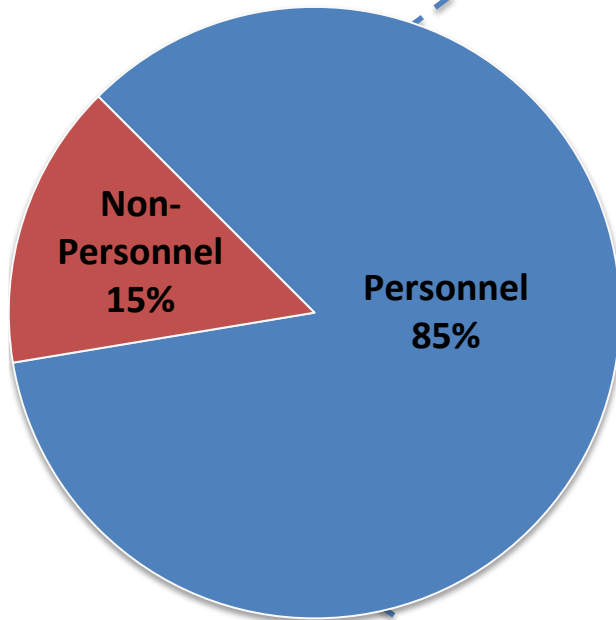
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# Over the last 5 years, MMSD invested significantly in its people

2015-2016 MMSD Operating Budget\*:  
**\$370.9 million**



\* Operating budget includes only operating funds (Fund 10 and Fund 27)

Some of the ways in which MMSD has invested in people include:

- 1 **Staff size**  
Increased the number of PK-12 staff from 3,497 in 2008-09 to 4,027 in 2013-14. This effectively **grew the district's total employees by 15% over 5 years** (largely due to 4K implementation during this time), while maintaining a student to all staff ratio of 6.7.
- 2 **Benefits**  
**Covered 100% of the cost of employees' benefits (90% for administrators)** for employees working at least 19.5 hours per week. On average, benefits cost \$21,188 per teacher and \$12,927 per employee annually.
- 3 **Starting Salary**  
Increased the starting salary 2% per year, resulting in starting pay shifting to \$36,108 in 2013-14 from \$32,913 in 2008-09 – **effectively, a 10% increase in starting salary for teachers over a 5-year period.**
- 4 **Retirement Benefits**  
**Offered post-retirement benefits to former employees** through the use of unused sick leave time.



Source: Madison Metropolitan School District. District provided financial data November 2015. Operating Budget: Personnel v Non-Personnel Expenses. Wisconsin Department of Public Instruction. WISEdash portal. Staffing ratios, benefits, and base salary information. Accessed November 2015.

<http://wisedash.dpi.wi.gov/Dashboard/portalHome.jsp>

# Madison has the lowest student to licensed staff ratio among the five largest Wisconsin school districts

District	Student to Licensed* Staff Ratio 2013-14
Milwaukee School District	16.2
Kenosha School District	14.1
Racine Unified School District	12.0
Green Bay Area Public School District	11.9
<b>Madison Metropolitan School District</b>	<b>10.3</b>

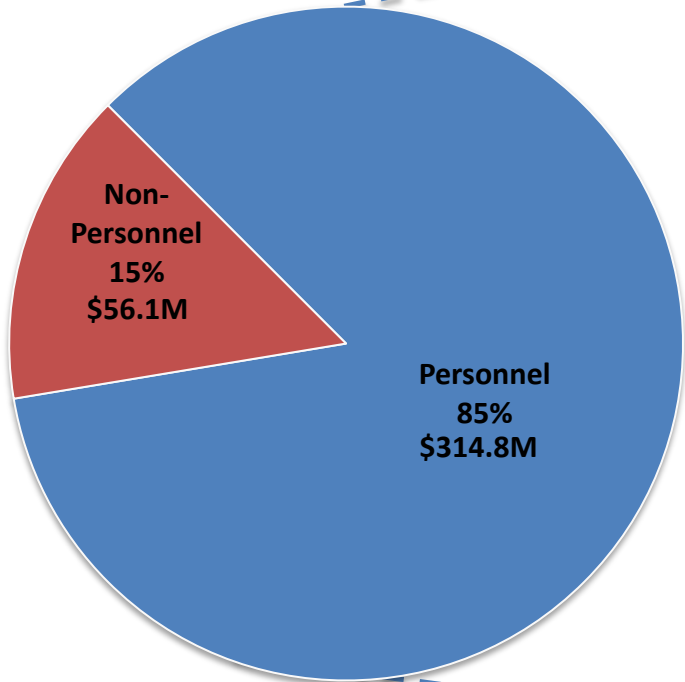
\* The Wisconsin Department of Public Instruction defines licensed staff as school-based positions such as teachers, department heads, guidance counselors, and school psychologists.

- **Madison grew district's PK-12 employees by 15% over 5 years**
  - Increased staff from 3,497 in 2008-09 to 4,027 in 2013-14 (largely due to 4K implementation within this time frame)
  - Maintained a student to all staff ratio of 6.7 (compared to 10.3 for licensed staff)
- **Further Analysis:** A next step for Madison would be to analyze whether MMSD allocates these staff in a strategic way that best supports student needs.

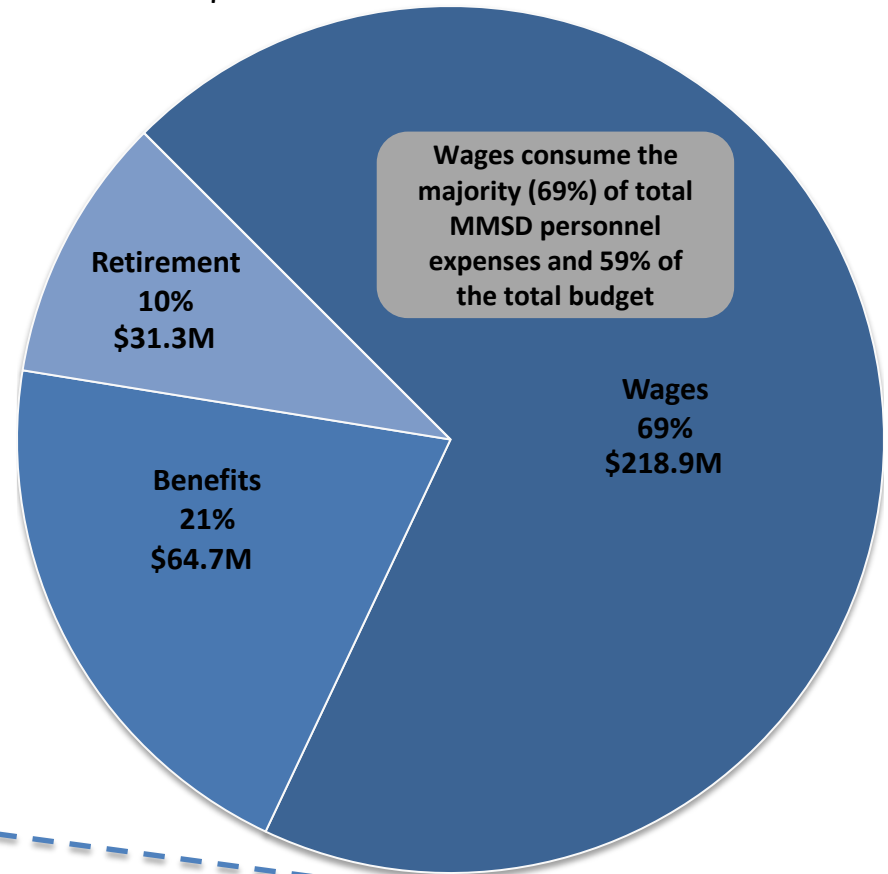


# Compensation is, by far, MMSD's largest expense, representing 85% of all costs

**MMSD Operating Budget, 2015-16**  
n = \$370.9 million



**MMSD Personnel Costs, 2015-16**  
n = \$314.8 million



\*Note: This chart does not include the cost of "other benefits."

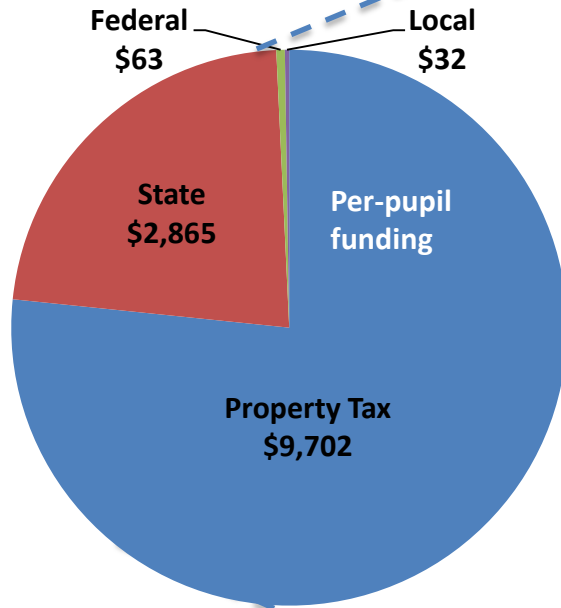


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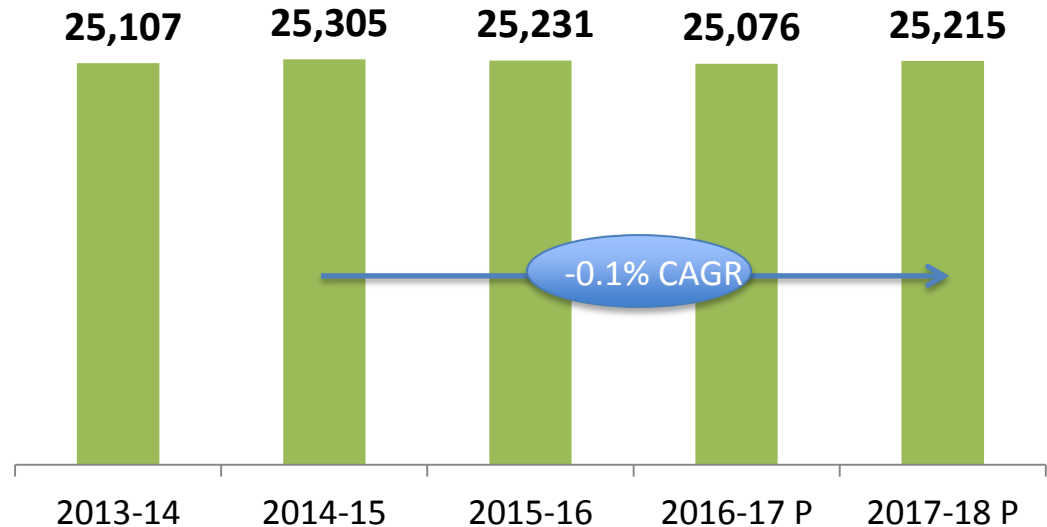
Source: Madison Metropolitan School District: Recommended Tax Levy and Budget Fall Budget Adoption. Oct. 2015.

# Student enrollment – the key driver in MMSD's revenue – is predicted to remain flat over the next 3 years

2015-2016 MMSD Operating Budget:  
\$370.9 million



## Anticipated MMSD K-12 Student Enrollment



With flat student enrollment, MMSD anticipates limited additional revenue generated from this source through the 2017-18 school year

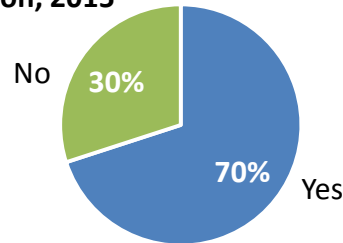


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# Compensation is the #1 factor that MMSD employees say drives their job satisfaction

In summer 2015, MMSD employees were asked about the factors that most shaped their job satisfaction, as well as how satisfied they were with their benefits

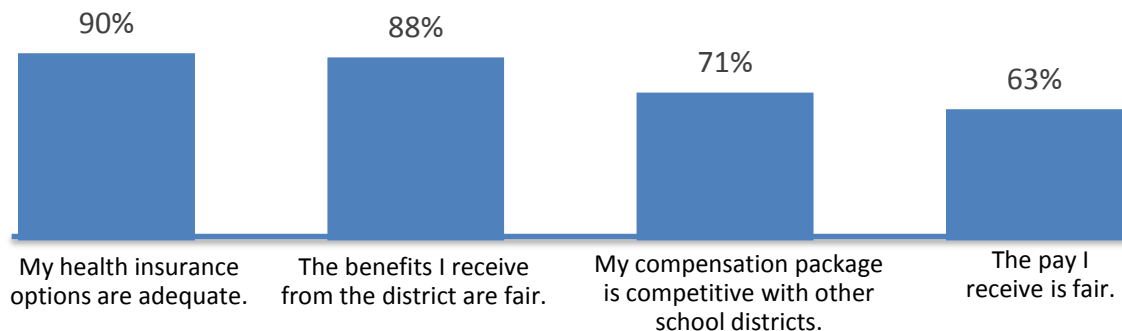
% of MMSD employees who rated compensation & benefits as the #1 or #2 factor that most impacted their job satisfaction, 2015  
n=1790



**MMSD employees rated compensation as the factor that most drives their job satisfaction**

- 70% rated compensation and benefits as their #1 or #2 priority
- Meaningful work was the next highest factor, with 44% rating it as their 1<sup>st</sup> or 2<sup>nd</sup> priority

% of MMSD Employees Who Agree With the Following Statements, 2015  
n=1790



**While a majority of employees believe their benefits are fair, nearly 40% believe they are not fairly paid**

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SOURCE: Summer 2015 MMSD employee survey through employee handbook process. There were 1,790 employees that participated (~45% of employees); of these, 1,049 were teachers (40% of all teachers).

# Nationally, compensation is among the top reasons why high-performers say they plan to leave, but compensation strategy can make an impact

## Top Reason Irreplaceables Cite for Planning to Leave their School

REASON FOR LEAVING	District A	District C	District D
Leadership	2 <sup>nd</sup> ranked	1 <sup>st</sup> ranked	1 <sup>st</sup> ranked
Compensation	1 <sup>st</sup> ranked	3 <sup>rd</sup> ranked	3 <sup>rd</sup> ranked
Career advancement	3 <sup>rd</sup> ranked	2 <sup>nd</sup> ranked	4 <sup>th</sup> ranked
School culture	4 <sup>th</sup> ranked	4 <sup>th</sup> ranked	5 <sup>th</sup> ranked
Workload	5 <sup>th</sup> ranked	12 <sup>th</sup> ranked	2 <sup>nd</sup> ranked
Student conduct	8 <sup>th</sup> ranked	5 <sup>th</sup> ranked	6 <sup>th</sup> ranked
Recognition and respect	7 <sup>th</sup> ranked	6 <sup>th</sup> ranked	9 <sup>th</sup> ranked
Amount of teacher influence	9 <sup>th</sup> ranked	7 <sup>th</sup> ranked	10 <sup>th</sup> ranked
Performance evaluation system	10 <sup>th</sup> ranked	9 <sup>th</sup> ranked	8 <sup>th</sup> ranked
Job security	6 <sup>th</sup> ranked	10 <sup>th</sup> ranked	13 <sup>th</sup> ranked

Note: Ns in District B were too low to include in this analysis.

- Right now, **compensation is the #1 factor** that drives MMSD employee satisfaction
- This is also true nationally
  - Teachers are very concerned about compensation
  - **Compensation is often 1 of the top 3 reasons high-performers cite for planning to leave their schools**
- However, some districts have found **after revising compensation strategy**:
  - **Districts lose fewer high-performers** due to compensation
  - **Compensation can move from a top 3 reason to one of the lowest reasons cited by high-performers for leaving**



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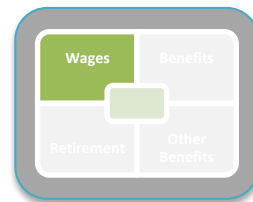
Source: TNTP, The Irreplaceables, 2012. Most important reasons cited by high performers planning to leave their schools in the next three years, ranked by frequency. Based on TNTP survey data.

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# MMSD Wages – Context and Strengths



## Context

- The existing teachers' salary schedule:
  - **Has been in place since at least 1969**
  - Is based on a compensation study conducted in 1958
- **Wages are the largest personnel expense (69%)** and make up the largest overall budget expense (59%)
- **Wages are a product of years in an employee's role, education and incremental responsibilities**

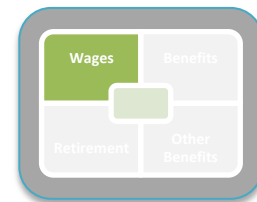
## Emerging Strengths

- **Employees can understand the schedule** and anticipate their salary
- It is **clear to employees what they must do in order to advance** on the salary schedule
- **Starting salaries are relatively in line with local and regional** peer districts
- **MMSD has discretion to place new hires strategically on salary schedule** – this could be used to address shortage or hard-to-staff positions or schools





# MMSD Wages – Emerging Opportunities

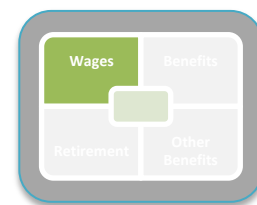


## Emerging Opportunities

- **Starting and average salaries for teachers are:**
  - Low relative to other industries in Madison
  - Near the middle of local and regional districts
  - Low compared to urban school districts, which presents a challenge for recruitment
- **It takes longer** (compared to other districts and industries) **to reach maximum salaries**
  - A large portion of a teacher's lifetime earnings are earned near the end of a teacher's career
- MMSD spent **\$7.6M in 2013-2014 on stipends and additive wages** (e.g., teachers taking on extra duties both during school year and summer)
- **Salary schedules for different roles overlap**
  - There is no cap on the number of steps
  - There are limited financial incentives to pursue leadership roles
- MMSD **does not offer financial incentives to work in hard-to-staff subjects or schools** but has sole discretion on initial placement on the salary schedule
- A focus on years of service and educational attainment misses key opportunities to promote equity, student engagement, employee engagement and employee retention



# Madison's starting teacher salaries are near the middle of local and regional peer districts even after adjusting for comparable wages (cost of living)



District	2013-14 Starting Salary	CWI Adjusted	Adjusted Salary	\$ Diff to Madison	% Diff to Madison
Verona Area School District	\$40,615	0.0%	\$40,615	\$4,507	12.5%
Milwaukee School District**	\$41,070	7.2%	\$38,133	\$2,005	5.6%
Stoughton Area School District	\$37,966	0.0%	\$37,966	\$1,858	5.1%
Racine Unified School District**	\$39,960	8.7%	\$36,483	\$375	1.0%
Waunakee Community School District	\$36,205	0.0%	\$36,205	\$97	0.3%
<b>Madison Metropolitan School District**</b>	<b>\$36,108</b>	<b>0.0%</b>	<b>\$36,108</b>	<b>\$0</b>	<b>0.0%</b>
Oregon School District	\$35,206	0.0%	\$35,206	(\$902)	-2.5%
De Forest Area School District	\$35,000	0.0%	\$35,000	(\$1,108)	-3.1%
Green Bay Area Public School District**	\$33,630	-0.8%	\$33,899	(\$2,209)	-6.1%
Kenosha School District**	\$38,377	13.7%	\$33,119	(\$2,989)	-8.3%
Sun Prairie Area School District	\$31,396	0.0%	\$31,396	(\$4,712)	-13.0%
McFarland School District	\$30,900	0.0%	\$30,900	(\$5,208)	-14.4%
Monona Grove School District	\$30,736	0.0%	\$30,736	(\$5,372)	-14.9%
Middleton-Cross Plains Area Sch District	\$23,354	0.0%	\$23,354	(\$12,754)	-35.3%

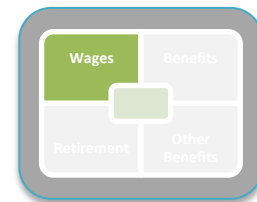
- Compared to 13 local and regional peer school districts, **Madison ranks 6<sup>th</sup> – right in the middle** – after adjusting for comparable wages
- **Madison ranks 3<sup>rd</sup>** among the largest 5 Wisconsin districts (marked by \*\*)
- Taking a total compensation perspective that includes benefits (0% employee contribution) would raise Madison's relative standing



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Source: Wisconsin Department of Public Instruction. Data Wizard. 2013-2014 Teacher Salaries tables. Accessed September 2015. National Center for Education Statistics (NCES) Comparable Wage Index. U.S. Department of Education. Updated in 2013. Accessed at: [http://bush.tamu.edu/research/faculty/Taylor\\_CWI/](http://bush.tamu.edu/research/faculty/Taylor_CWI/)

# Madison pays new teachers less than most urban districts, which presents a challenge for national recruitment



District	2014-15 Starting Teacher Salary	CWI Adjusted	2014-15 Adjusted Starting Salary	\$ Diff to Madison	% Diff to Madison
Chicago, IL	\$50,653	-15.10%	\$43,004	\$5,741	15%
Fayette County (Lexington), KY	\$40,750	3.90%	\$42,339	\$5,076	14%
Cleveland, OH	\$42,637	-2.40%	\$41,614	\$4,351	12%
Jefferson County (Louisville), KY	\$40,519	1.80%	\$41,248	\$3,985	11%
Nashville, TN	\$41,257	-0.90%	\$40,886	\$3,623	10%
Columbus, OH	\$42,333	-4.40%	\$40,470	\$3,207	9%
Fort Wayne, IN	\$37,000	9.20%	\$40,404	\$3,141	8%
St. Paul, MN	\$43,021	-8.30%	\$39,450	\$2,187	6%
Shelby County (Memphis), TN	\$42,343	-7.00%	\$39,379	\$2,116	6%
Milwaukee, WI	\$41,200	-7.20%	\$38,234	\$971	3%
Cincinnati, OH	\$40,832	-7.20%	\$37,892	\$629	2%
Minneapolis, MN	\$41,292	-8.30%	\$37,865	\$602	2%
Kansas City, MO	\$37,376	0.30%	\$37,488	\$225	1%
Omaha, NE	\$36,349	2.60%	\$37,294	\$31	0%
<b>Madison, WI</b>	<b>\$37,263</b>	<b>0.00%</b>	<b>\$37,263</b>	<b>\$0</b>	<b>0%</b>
St. Louis, MO	\$38,250	-3.30%	\$36,988	(\$275)	-1%
Akron, OH	\$35,890	1.90%	\$36,572	(\$691)	-2%
Indianapolis, IN	\$35,684	0.50%	\$35,862	(\$1,401)	-4%
Toledo, OH	\$34,599	0.90%	\$34,910	(\$2,353)	-6%
Detroit, MI	\$35,683	-10.40%	\$31,972	(\$5,291)	-14%

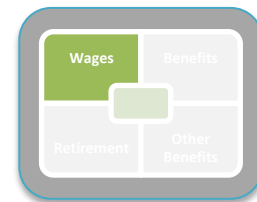
- **Madison competes nationally for diverse candidates**
- While Madison may be in line with local peers in starting salary, **Madison is not as competitive nationally**
- When adjusted for comparable wage (cost of living) **Madison ranks 15<sup>th</sup> out of 20 urban districts within 500 miles of Madison**



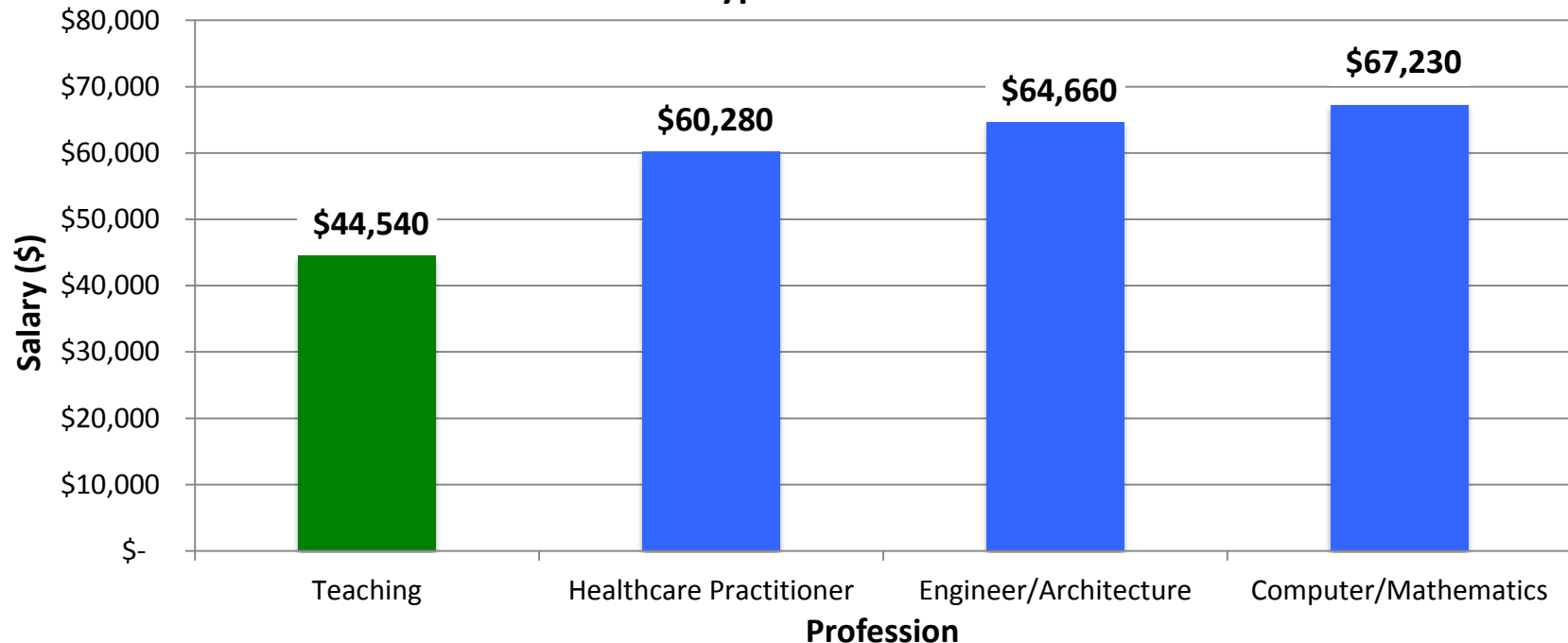
**CROSS & JOFTUS**

Source: National Council for Teacher Quality. NCTQ Teacher Contract Database. [www.nctq.org/districtPolicy/contractDatabaseLanding.do](http://www.nctq.org/districtPolicy/contractDatabaseLanding.do). Accessed November 2015. National Center for Education Statistics (NCES) Comparable Wage Index. U.S. Department of Education. Updated in 2013. Accessed at: [http://bush.tamu.edu/research/faculty/Taylor\\_CWI/](http://bush.tamu.edu/research/faculty/Taylor_CWI/)

# Teachers earn less than professionals in other top industries in Madison that require similar training



MIT's Annual "Typical" Salaries for Madison



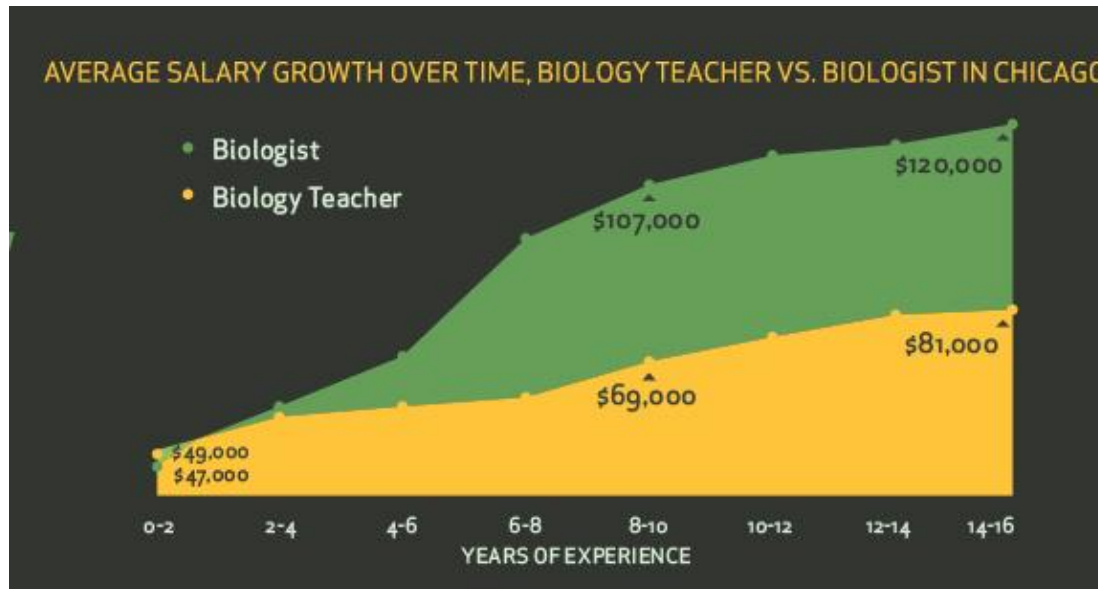
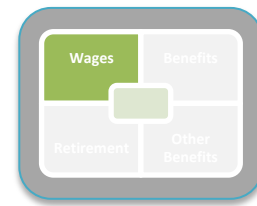
- In Madison, for individuals choosing a career:
  - **Teaching is at a distinct disadvantage compared to other professions** that require similar training
  - **Professionals in other industries earn 26%, 45% and 51% more than teachers**
- Nationally, a 2010 McKinsey study of **"top third"** college students found that **91% did not plan to go into teaching – Compensation was the biggest gap** between teaching and their chosen profession



Note: The \$44,540 is from MIT's website. It combines other professions besides K-12 teaching such as professional development trainers, other teachers in higher education, etc. This chart keeps that figure in order to keep the figures comparable. Engineer includes software engineers which need a bachelor degree. Computer includes coding.

Source: Massachusetts Institute of Technology. Calculation of Living Wage for Dane County, Wisconsin. Annual Typical Salaries.  
<http://livingwage.mit.edu/counties/55025>

# Nationally, teacher salaries grow too slowly relative to other professions



- A TNTP study compares biologists and biology teachers – professionals with similar interests and educational backgrounds:
  - Earn similar salaries in year 1
  - **By year 10, biologists more than double their salaries while biology teachers see salaries rise by ~40%**

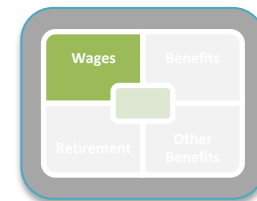
- Teachers must wait much longer than professionals in other industries to reach their full earning potential
- A study by the National Council on Teacher Quality reports:
  - **On average, it takes teachers 24 years to reach their maximum pay** – a timeframe that is much longer than other professions
  - **Other professions earn near maximum salaries for longer periods within their careers compared to teachers**, who usually earn small, incremental increases over time



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Source: National Council on Teacher Quality. Smart Money, What Teachers Make, How Long it Takes and What it Buys Them, Revised Version, December 5, 2014. TNTP, Shortchanged, 2014.

# Individuals with master's degrees or more far out-earn bachelor's degree holders, and salary does not grow equally across tracks



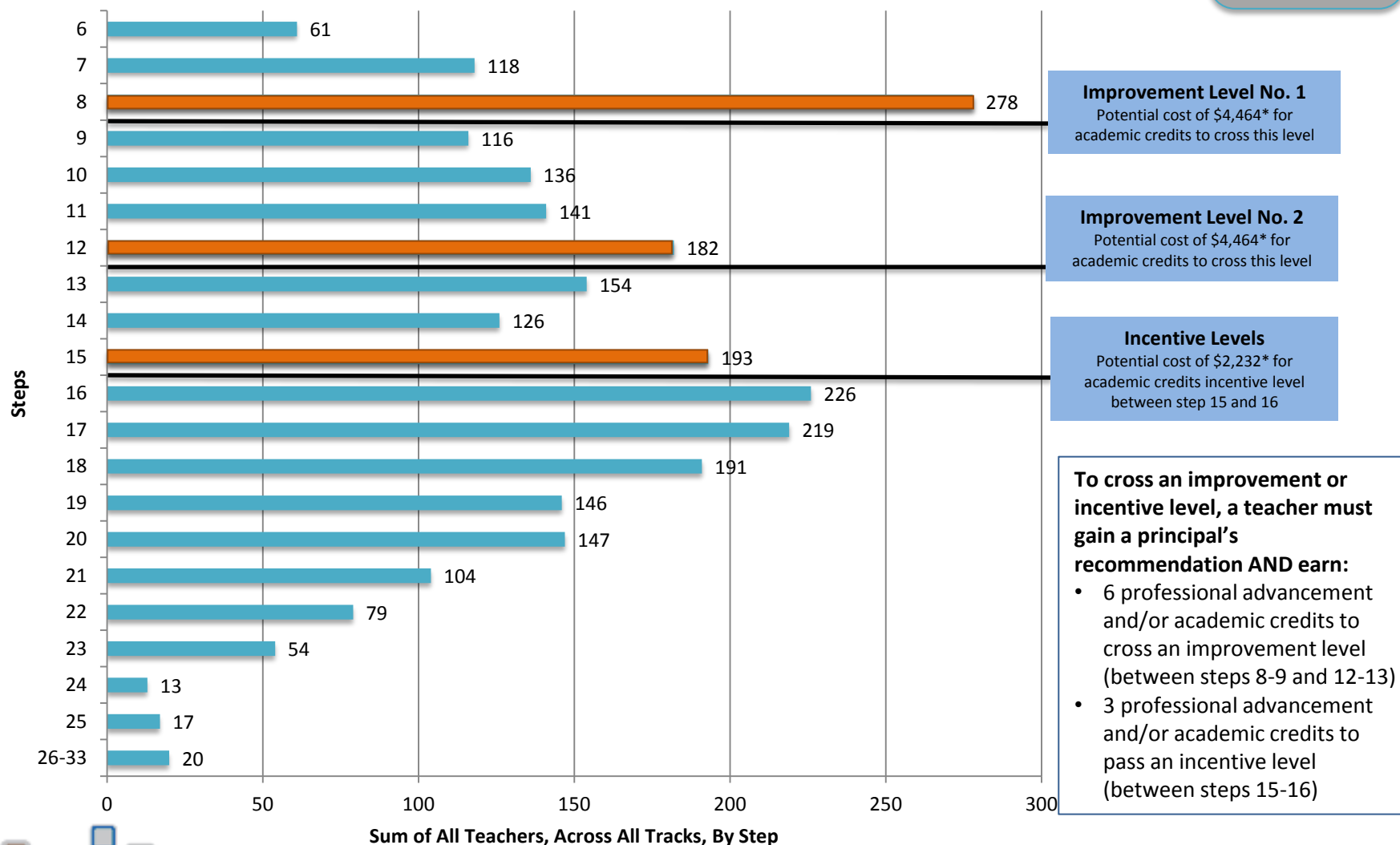
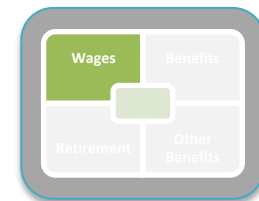
Track	Cumulative Earnings (over 28 years)	Diff to Track 1 (\$)	Diff to Prior Track (\$)	% Change (Step 6-33)	
Track 1 – BA	\$1,548,207	--	--	89%	1 Accruing <b>additional credits at the BA level yields minimal benefit</b> over time
Track 2 – BA+12	\$1,573,381	\$25,174	\$25,174	88%	2 Earning an MA yields <b>8.6% (\$133K) more</b> than a BA over time
Track 3 – BA+24	\$1,598,587	\$50,380	\$25,206	87%	3 Earning an MA + 12 credits yields a <b>significant increase (18.5% or \$286K)</b> – This track also yields greatest difference from the prior track
Track 4 – MA	\$1,681,179	\$132,972	\$82,592	94%	
Track 5 – MA+12	\$1,833,819	\$285,612	\$152,640	110%	4 Salary curves differ across tracks – <b>individuals with more education not only earn more, but their salary grows more rapidly</b>
Track 6 – MA+24	\$1,859,542	\$311,335	\$25,723	109%	
Track 7 – MA+48	\$1,910,853	\$362,646	\$51,311	107%	
Track 8 – PhD	\$1,962,218	\$414,011	\$51,365	105%	



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Source: 2015-2016 Madison Metropolitan School District Employee Handbook salary schedule.

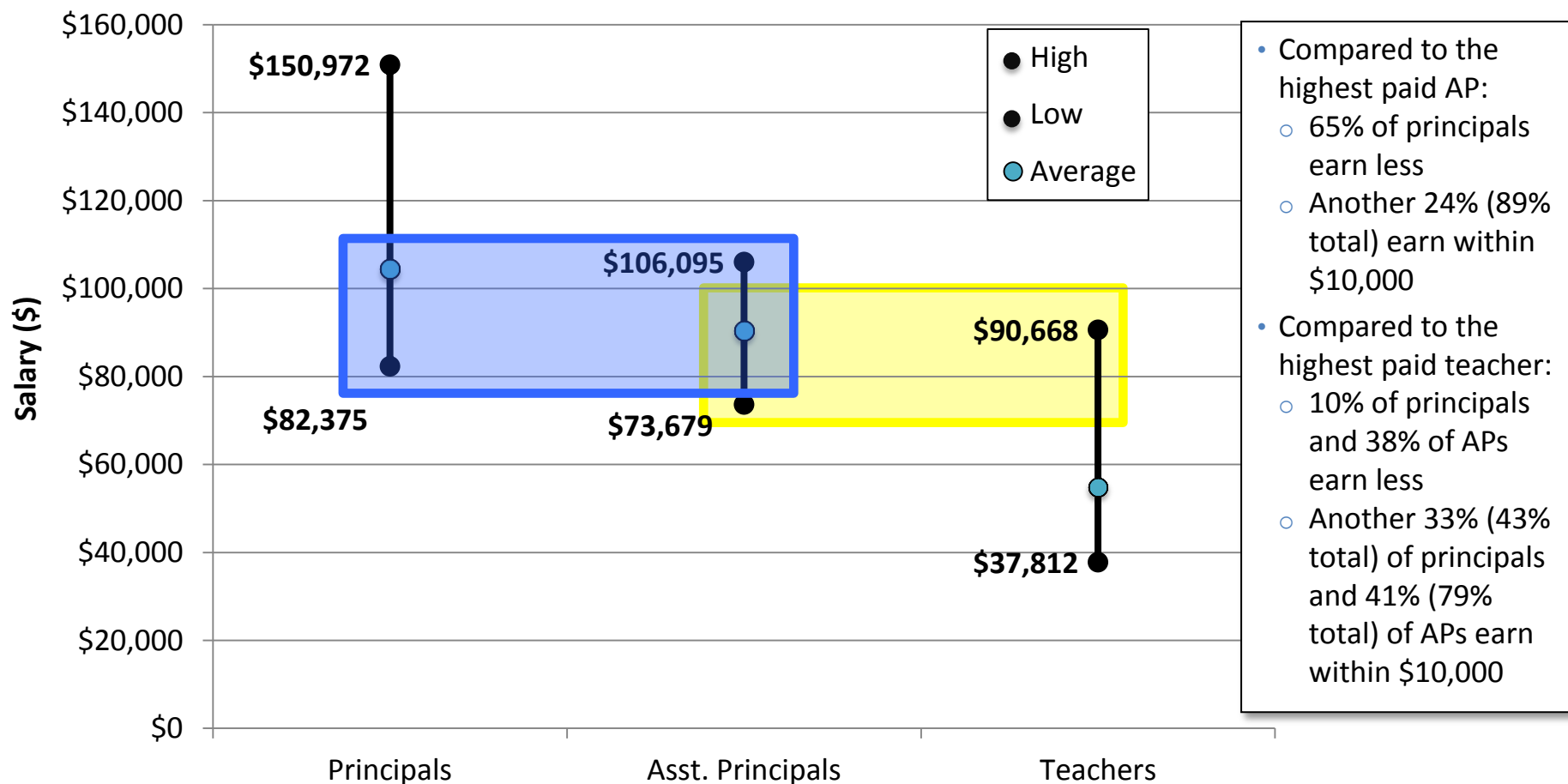
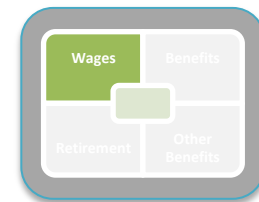
# Improvement and incentive levels pose a barrier to salary increases – Teachers tend to congregate at steps 8 and 12



Source: 2015-2016 data files provided by Madison Metropolitan School District. \* - current expense for six academic credits in graduate courses at the University of Wisconsin – Madison for a local resident. Note that teachers may also access these credits through the Professional Advancement Study Committee.

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# There are limited financial incentives to move into leadership positions – Pay increases are small for the relative increase in responsibility



- Compared to the highest paid AP:
  - 65% of principals earn less
  - Another 24% (89% total) earn within \$10,000
- Compared to the highest paid teacher:
  - 10% of principals and 38% of APs earn less
  - Another 33% (43% total) of principals and 41% (79% total) of APs earn within \$10,000

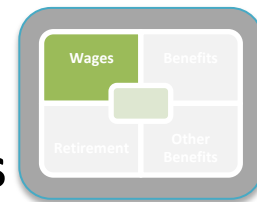
- Blue box shows the overlap between principal and AP salaries
- Yellow box shows the overlap between AP and teacher salaries

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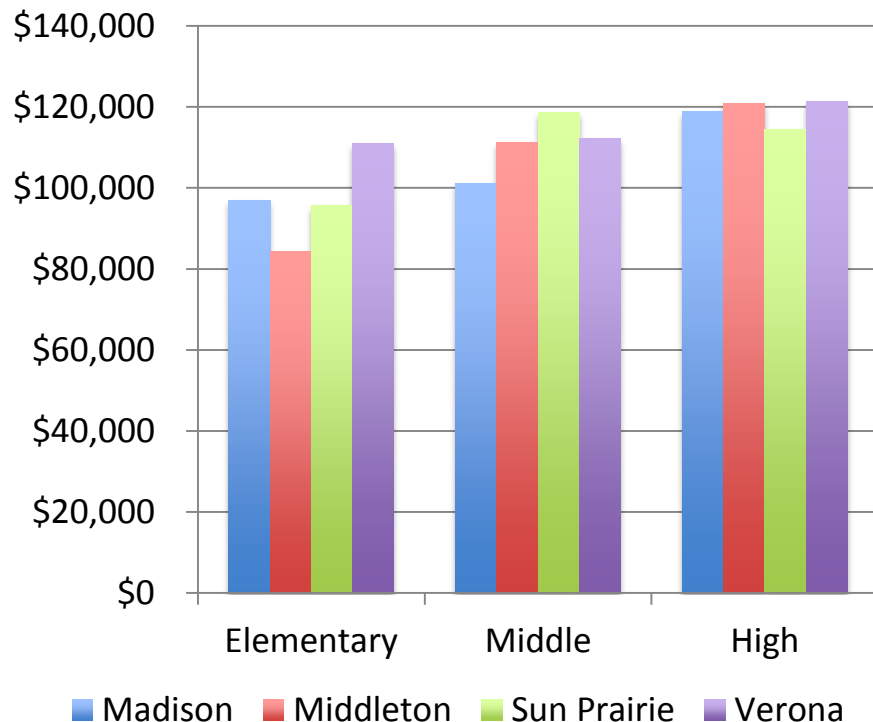
Source: Madison Metropolitan School District. 2014-15 FY Year-end Payroll History Report. Accessed November 2015. Note that high, low, and average teacher salary includes average extra duty pay.



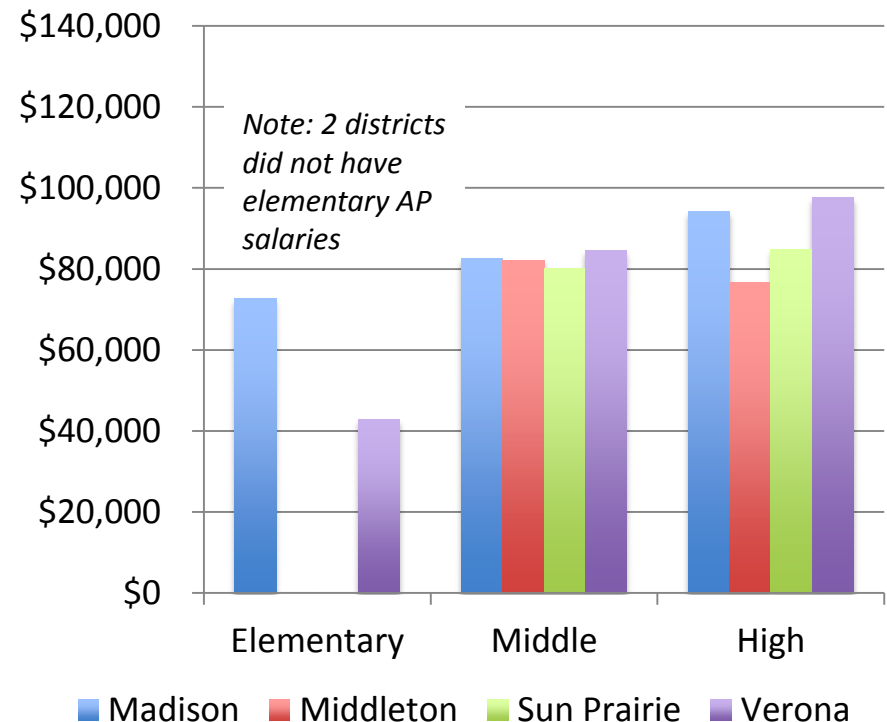
# MMSD's principal salaries, especially at the middle & high school level are not as competitive with local school districts



**Average Principal Salaries**



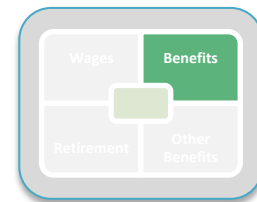
**Average Assistant Principal Salaries**



However, once adjusted for comparable wages (cost of living), Madison's average principal and assistant principal salaries are 2<sup>nd</sup> among 14 local and regional school districts

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Source: Madison Metropolitan School District. 2014-15 Benchmarking analysis conducted by Central Office staff. District salary ranges by District. January 2015.



# MMSD Benefits – Context and Strengths

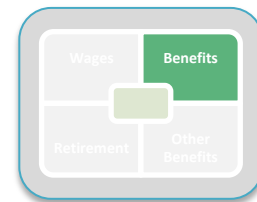
## Context

- **Benefits are one of the biggest cost drivers over time** – MMSD currently spends \$74M per year, accounting for 20% of all compensation costs
- Historically, changes were negotiated based on a total compensation package – **At times, employees forewent salary increases in order to maintain benefits**
- **MMSD provides full benefits to any employee working 19.5 hours or more** per week, even though the Affordable Care Act's threshold is 30 hours per week
- Health insurance plans had a 0% increase this year – **It is highly unlikely insurance companies will offer 0% increases again.** In fact, increases may be in double digits as a result of last year's 0% increase

## Emerging Strengths

- **More generous with benefits** coverage than local, regional, and national peers
- **Madison's rank among local and regional peer school districts improves slightly** when looking at total compensation (salary plus benefits)
- **76% participation in wellness program** in first year
- Employees benefit from MMSD's location in Madison and the resulting **access to a variety of medical treatment options**
- **MMSD offers domestic partner benefits**





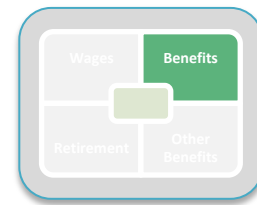
# MMSD Benefits – Emerging Opportunities

## Emerging Opportunities

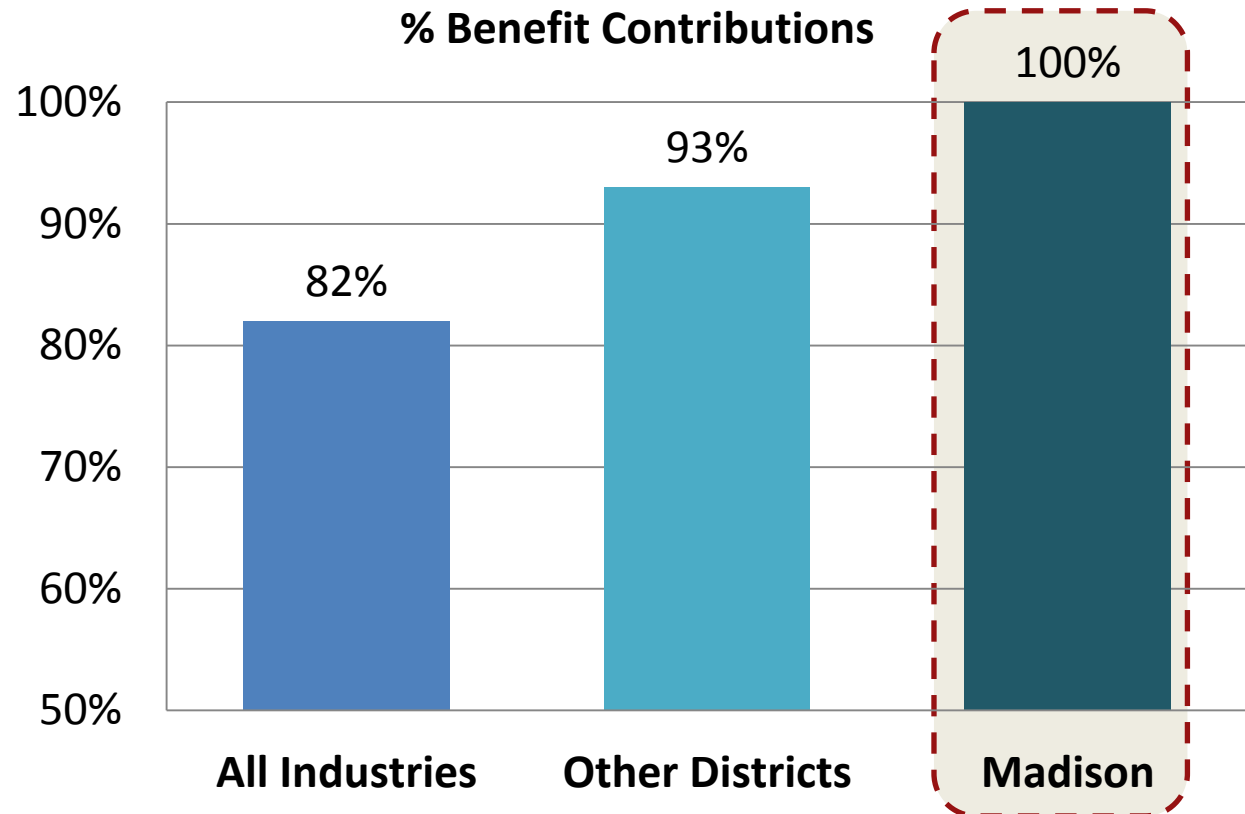
- **MMSD currently pays 100% of the cost of teachers' and most employees' benefits**
  - MMSD covers a larger share of the cost of employees' benefits than other districts who, on average, cover 93%
  - Administrators already contribute – MMSD pays 90% for administrators
- **MMSD provides full benefits to employees working more than 19.5 hours per week** – Opportunities exist to provide benefits on a sliding scale based on number of hours worked
- Health plans **saw an increase in the medical loss ratio (claims paid/revenue)** – this represents a consistently upward trend
  - At this rate, operating costs will increase by \$4-7 million a year
  - Premium increases will be steeper for health plans that experience medical loss ratios that are too large
- **Benefit costs are projected to increase at a rate of 5-9% per year** without any changes to the existing plans
- **MMSD offers a narrow set of benefits options to its employees** – Diversifying options could lower costs for MMSD and offer more customized options for employees



# Madison makes higher benefits contributions than other districts and all-industry averages



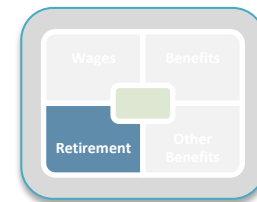
- In 2015, the **average employer contribution across all industries was 82%** for single coverage and 71% for family coverage
- A 2013 review by the National Council on Teacher Quality (NCTQ) found that the **average district paid 93% of employees' benefits premiums**
- **Madison pays 100% of benefits contributions for teachers.** The district pays **at least \$3 million each year** to cover 100% (vs. 93%, for example) of benefits. Administrators contribute 10%



Sources: National Council on Teacher Quality, Tr3 Trends: Health Insurance Premiums, April 2013, available at <http://www.nctq.org/commentary/article.do?id=66&printView=T>. Kaiser Family Foundation's Annual Health Survey, available at <http://kff.org/report-section/ehbs-2015-summary-of-findings/>.

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# MMSD Retirement – Context and Strengths



## Context

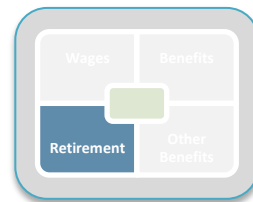
- **Retirement costs MMSD \$31.3M or 10% of compensation expenses each year**
- MMSD, like every other WI district, **participates in Wisconsin Retirement System (WRS)**
- Both MMSD and the employee regularly contribute to the Wisconsin Retirement System (WRS) at the standard rate of **6.8% and 6.2%, respectively**, of wages
- **A teacher in MMSD must wait five years before they are vested** in the retirement program, meaning they can receive retirement benefits

## Emerging Strengths

- **WRS is solvent with no significant increases** forecast for employer or employee contributions
- **MMSD offers access to a 403b or 457 account** which provides an additional opportunity for employees to save towards retirement
  - Flexible – employee chooses how much to contribute towards program
  - No cost to MMSD as employer
  - Other benchmark school districts offer similar programs
- **MMSD offers teachers the Teacher Emeritus Retirement Program** – offering monthly payments to the employee that is 55 years of age and has 30 years of experience in the system



# MMSD Retirement – Emerging Opportunities

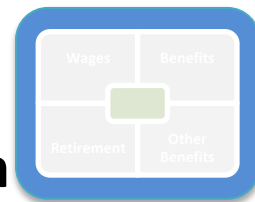


## Emerging Opportunities

- **Flexibility** – Beyond pension funds, other options exist to provide flexibility in retirement planning for employees
- On average, a **teacher will need to teach for 33 years before they can realize a healthy pension** payment from WRS at the age of 55
- **No opt-out provision exists** to provide an alternative for teachers
- MMSD offers **retiree health insurance to its teachers**
  - Teachers can use accrued personal illness leave that is converted to cash and can be used to pay premiums or other medical expenses once the individual retires



# Research highlights the importance of factors beyond compensation in shaping employee retention and satisfaction



Money may not be the key to motivating or retaining employees

- For people with satisfactory salaries, three noncash motivators—**praise from immediate managers, leadership attention** (e.g., one-on-one conversations), and a **chance to lead projects or task forces**—are cited as **equally or more effective motivators** than cash bonuses, increased base pay, and stock or stock options
- Importantly, these nonfinancial motivators **make employees feel that their companies value them, take their well-being seriously, and strive to create opportunities for career growth**

Transparent conversations about compensation can improve employee satisfaction and retention

- One of the top predictors of employee “satisfaction” and “intent to leave,” is a company’s ability to communicate clearly about compensation
  - Employees who **believe** they are underpaid are more likely to leave their job
  - Employees are often wrong about whether they’re underpaid – ***Two-thirds of people who are being paid the market rate believe they’re actually underpaid***
- Transparent conversations about money can mitigate lower pay
  - 82% of respondents felt satisfied with their work even if an employer pays less than average but **clearly communicates why**
  - **Overpaying employees without having a larger conversation about pay does not ensure they are more satisfied and/or more likely to stay**



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Source: Harvard Business Review, “Most People Have No Idea Whether They’re Paid Fairly,” 10.5.15; McKinsey Quarterly, “Motivating People: Getting beyond money,” November 2009, available at [http://www.mckinsey.com/insights/organization/motivating\\_people\\_getting\\_beyond\\_money](http://www.mckinsey.com/insights/organization/motivating_people_getting_beyond_money)

# Agenda

- Project Overview – Framework & Methodology
- Madison's Context
- Emerging Findings
- Opportunities and Next Steps





# Stakeholder engagement is a critical part of this process

## Stakeholder engagement will:

- **Inform upfront guiding principles** and initial design
- **Build stakeholder buy-in**
- **Provide insight** to current state assessment regarding what is and is not working
- **Provide feedback** on options and recommendations
- **Ensure final design reflects on-the-ground perspectives**, expertise, needs, and priorities

## Engagement to Date

- Feedback and insight via surveys, including over 1,800 respondents to date on a Compensation Survey
- Teacher and Principal Advisory Group meetings
- Meetings with MTI Leadership
- 1-on-1 meetings with Board members
- 2 site visits – October and November
- Multiple meetings and conversations between district leadership and stakeholders

## Engagement Moving Forward

- Any shift in compensation model requires authentic collaboration with each employee group
- Learn more from teachers & employees about what they care about most
- Build a collaborative process to address opportunities in compensation system
- 2 additional site visits with additional focus groups and meetings

# Moving forward, we will investigate several opportunities to support MMSD in achieving compensation goals

## Shorter Term

**Introduce Total Compensation Statements** to increase visibility of total district contribution to each employee

**Investigate options to diversify benefits offerings** to enable employees to choose less expensive plans that better meet their benefits needs, in return for sharing cost-savings with the district

**Consider benefit changes** while maintaining take home pay

**Consider a sliding scale for benefits offerings** for employees working less than 30 hours per week

## Medium Term

**Improve HR Technology** to address current system limitations – Current systems require significant employee time to maintain and are limited in their ability to support future shifts in compensation

**Partner with teachers and principals to explore a possible teacher cohort model** that enables successful leadership teams to work together in hard-to-staff schools and receive potential additional compensation in return

## Longer Term

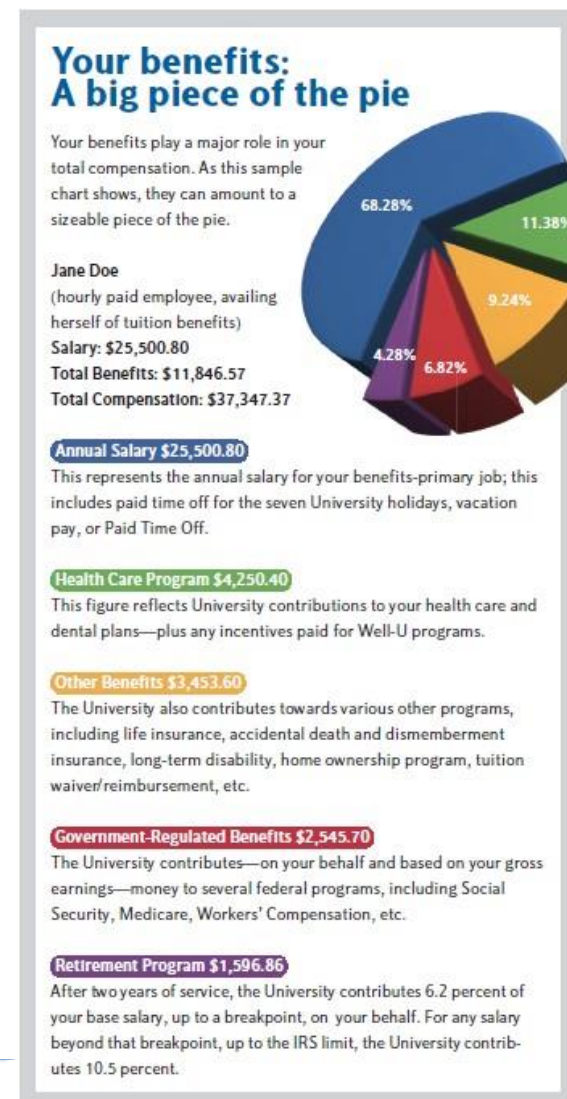
**Investigate potential improvements to the salary schedule curve** – Identify options to increase starting salaries, offer larger raises earlier on, and allow educators to reach their earning potential earlier in their careers in order to recognize MMSD employees as the professionals they are and make MMSD more competitive with other districts and industries

**Further analyze Incentive and Improvement levels** to understand if there are barriers to progression and if the levels produce the desired outcomes



## One potential quick win is to introduce “Total Compensation Statements” for each employee

- MMSD makes significant contributions on behalf of each employee in terms of total compensation
- Many of these benefits are invisible to employees
- Clear communication about compensation can improve employee satisfaction & retention
- Total Compensation Statements
  - Increase transparency and visibility
  - Increase the likelihood that employees:
    - Feel satisfied with their total compensation
    - Value the benefits provided by the district
    - Feel comfortable weighing different compensation options



## Over the next two months, C&J will engage in a number of next steps

### Finalize Research and Analysis

- Complete wage analysis for administrators and NUPs
- Continue investigation of benefits options
- Conduct deeper analysis of retirement costs and options
- Analyze cost and use of district offerings in other benefits

### Benchmarking

- Continue interviews with benchmark districts
- Complete qualitative analysis of benchmark districts

### Stakeholder Engagement

- Continue to engage stakeholders via focus groups, surveys, and meetings
- Solicit stakeholder feedback on potential options moving forward

### Identify Options and Implications

- Identify potential compensation approaches and implications for financial sustainability
- Identify operational implications for HR, budget, technology, and other teams as applicable
- Propose strategies for ongoing communication and stakeholder engagement moving forward



## Guiding Questions

- **What other information do you need** to support the district in identifying a future compensation strategy?
- **What would you prioritize** during the next phase of this study? Where would you like us to focus our time?
- Is there **anything else that you would like us to consider** moving forward?

**Thank you for your time and guidance.**

