

HOUSE FINANCE COMMITTEE
April 21, 2025
1:36 p.m.

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CALL TO ORDER

Co-Chair Schrage called the House Finance Committee meeting to order at 1:36 p.m.

MEMBERS PRESENT

Representative Andy Josephson, Co-Chair
Representative Calvin Schrage, Co-Chair
Representative Jeremy Bynum
Representative Alyse Galvin
Representative Sara Hannan
Representative DeLena Johnson
Representative Will Stapp
Representative Frank Tomaszewski

MEMBERS ABSENT

Representative Neal Foster, Co-Chair
Representative Nellie Unangiq Jimmie
Representative Jamie Allard

ALSO PRESENT

Paula Vrana, Commissioner, Department of Administration,;
Camille Brill, Acting Deputy Director, Division of
Personnel, Department of Administration,; Patrick Bracken,
Senior Vice President, Segal; Mike Verdoorn, Vice
President, Segal,; Richard Ward, Consultant, Segal;

SUMMARY

PRESENTATION: SALARY STUDY

Co-Chair Schrage reviewed the meeting agenda.

^PRESENTATION: SALARY STUDY

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PAULA VRANA, COMMISSIONER, DEPARTMENT OF ADMINISTRATION,, reviewed the reasoning behind the study.

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Representative Hannan there was already in statute some periodic reviews, she queried the year of the last study.

Ms. Vrana responded that the last salary study was performed in 2009.

Representative Hannan queried the human resources recommendations.

Ms. Vrana responded deferred the question to Ms. Brill.

CAMILLE BRILL, ACTING DEPUTY DIRECTOR, DIVISION OF PERSONNEL, DEPARTMENT OF ADMINISTRATION,, she did not have the knowledge of the HR perspective, but that the statute said something to the effect of regular review.

Representative Hannan asked why outside consultants were necessary.

Ms. Brill responded that the classification had not been static and there were regular updates, and agreed that experts were not necessary.

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Representative Stapp was most interested in the 26 percent of employees that were below the fiftieth percentile.

Ms. Vrana responded that the group of classes were potentially below market.

Representative Stapp asked if they saw any correlation between the classes that were listed at below market value.

Ms. Vrana responded that the trend was positive.

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Representative Stapp asked whether there was any correlation between the below market folks and the vacancy rates.

Ms. Brill responded that it drew more questions for her, and what were the applicant pools or vacancy rates.

Representative Galvin asked if it was not the first version.

Ms. Brill responded that it was a complex and large undertaking, and it had gone through an iterative process that changed over time.

Representative Galvin asked what the scope was and how it had changed.

Ms. Brill responded that the iterative process included changes to scope, and she was currently seeking more information.

Ms. Vrana added that it included the incorporation of the consideration of investments.

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Representative Galvin asked about the timing of the study and felt that there was context she wished to have it sooner.

Ms. Vrana responded that the state had been working diligently and expeditiously and that the study was large and complex.

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PATRICK BRACKEN, SENIOR VICE PRESIDENT, SEGAL, introduced himself and the PowerPoint presentation "State of Alaska Statewide Salary Study" dated April 21, 2025 (copy on file). He began on slide 2, "Study Overview":

About Segal:

National consulting firm with 1,100+ employees, celebrating over 80 years of serving clients

Mission-driven: Providing trusted advice that improves lives

Independent, objective, and employee-owned

Not any solution –your solution; personalized advice and assistance

Mr. Bracken continued on slide 3, "Study Overview":

Compensation and Classification Assessment (2012)

Diagnostic review of the classification and compensation systems to provide recommendations for review and potential future initiatives

AlaskaCare consultants and actuaries (2014 - present)

Employee Plan and Retiree Plan Technical and strategic support Collective bargaining support Expert witness testimony

Mr. Bracken continued to slide 4, "Study Overview, Segal Experience":

State of Delaware

- 16,200 employees covered by over 1,000 job classifications
- 155 benchmark job titles and distributed the survey to 13 peer employers including Federal and State Governments, local governments (Delaware) and published data sources to represent the private sector

State of Washington

Statewide Total Compensation Study

- 48,300 employees covered by over 1,500 job classifications
- 198 benchmark job titles and distributed the survey to 48 peer employers

Department of Corrections

- Conducted a total compensation study for 12 job classifications by distributing a custom survey to 7 peer employers

Administrative Office of Hearings

- Ongoing total compensation study covering 5 benchmark classifications.
- Distributed custom survey to 26 peers.

State of Rhode Island

- Conducted a comprehensive review of the current personnel programs, practices, policies
- Analysis of data and information related to recent changes to the State's pay and benefits
- High-level review of the State's classification architecture and review of selected job series and class descriptions

Oregon State Legislature

- 500 employees covered by 150+ job titles
- Developed a pay equity analysis framework
- Developed methodology to collect prior related work experience
- Conducted outlier analysis and advised on remediation options

State of Maine

- Developed updated classification structure and job descriptions to reflect current functions and required qualifications
- 100 benchmark job titles assessed across 10 peer organizations and published survey sources representing private sector

State of New Hampshire Department of Administrative Services

- 7 state police ranks and 100 job titles representing other state employee categories
- Identified the most appropriate comparators, which included the other five state governments, in New England, and up to five county and city governments in New Hampshire.
- For private sector data, we used well-respected published sources of compensation and benefits data

Mr. Bracken pointed to slide 5, "Project Roles and Governance Structure":

State Team

- Provides Segal with insights and advice related to State strategic goals
- Confirms and endorses project approach
- Provides feedback and guidance on key decisions
- Acts as liaison to Segal for project coordination and execution

Segal Team

- Serves as compensation subject matter expert
- Develops and manages the work plan and timeline
- Responsible for collection, review, and analysis of all market data
- Collaborates with the State Project Team to complete comparative analysis and report findings

Throughout the study, the State Team role was to provide advisory guidance and explanation related to State compensation systems. Segal was responsible for the collection, review, and analysis of all external market data.

Representative Hannan asked about slide 4 which held an almost exclusively public sector analysis, and she asked how long they had been working on Alaska.

Mr. Bracken responded that Segal had been working with the state since 2019.

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Mr. Bracken displayed slide 6, "Study Overview, Purpose of the Study":

The State of Alaska commissioned a Statewide Salary Study to evaluate how the State's pay plans compare to other public and private sector organizations.

Mr. Bracken continued pointed to slide 7, "Study Overview Scope of Study":

This study provides a comprehensive assessment of the competitiveness of the State of Alaska's salary structures by analyzing 404 benchmark jobs, across various job families, occupational groups, and bargaining units. Key elements of the study scope include:

- Market Comparison: Evaluated State salary structures against public and private sector peers at both the 50th (market median) and 65th (market-leading) percentiles. This salary structure comparison does not analyze individual employee salaries.

- Data Elements: All base pay compensation and health insurance cost-sharing data effective as of January 1, 2025 and paid time off as of January 1, 2024.

- Base pay is defined as the published (or formalized) salary structure pay grade range minimum, midpoint, and maximum. It is considered the direct compensation component of salary, exclusive of any other pay related items such as overtime, supplements, differentials, and pay supplements etc.

- Purpose: The report does not recommend pay levels or adjustments for employees, but equips State leadership with data-driven insights to:

- Understand competitive pay gaps with market conditions
- Compete effectively for skilled talent
- Manage pay structures and related costs

This scope provides decision-makers with a clear, evidence-based foundation for future compensation planning. The focus is on reviewing and analyzing the State's salary structures and does not include evaluation or comparison of individual employee salaries.

Representative Johnson wondered about the peer jurisdictions.

Mr. Bracken replied that there was a slide that would address the composition of the peer group.

Representative Johnson was happy to do it chronologically.

Representative Hannan asked about the peer jurisdictions, and whether they had changed in the two different studies.

Mr. Bracken responded that the additional employers were an augmentation to the original data set.

Representative Hannan wondered whether the unresolved information technology study was included in the presentation.

Mr. Bracken was not provided with any data on that issue.

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Representative Bynum asked if there were any limitations put on them that would impact the outcome.

Mr. Bracken responded that there were constraints, but it might not be considered a limitation.

Mr. Bracken continued on slide 8, "Data Collection Benchmark Jobs":

The State identified 404 benchmark classifications from the 1,083 current classifications (Partially Exempt and Classified) for inclusion in the market study.

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MIKE VERDOORN, VICE PRESIDENT, SEGAL, looked at slide 9, "Data Collection, Custom Survey." He discussed slide 10, "Data Collection Published Survey Additional Data Sources":

Segal utilized the following published survey sources to represent the public and private sector for the State's benchmark jobs:

Private Sector Sources

CompAnalyst (Salary.com)

CompAnalyst Market Data, a subscription database maintained by Salary.com, includes pay data from hundreds of professionally conducted employer-provided surveys. For this analysis, we used All Industries, Anchorage, AK base salary data.

Economic Research Institute (ERI)

ERI's Salary Assessor and Executive Assessor databases aggregate pay data from hundreds of published data sources for thousands of job titles. The data is updated quarterly and provides salary information for nearly any geographic area in the U.S. For this

analysis, we used All Industries, Anchorage, AK base salary data.

PayFactors

PayFactors' Survey of Surveys is a compensation database that compiles pay data from published data sources and HR departments. PayFactors updates their data constantly and provides salary information for most geographic areas in the U.S. For this analysis, we used All Industries, Anchorage, AK base salary data.

Milliman Alaska Compensation Survey

Milliman publishes annual surveys gathering data on compensation and benefit trends in specific regions or industries and includes nonexempt, professional and management positions compiled from major employers within Anchorage, Fairbanks, Southeast, and Northern/Western Alaska. For this analysis, we used private sector and Anchorage, AK base salary data.

Public Sector Source

Segal Public Sector Compensation Database

Represents recent Segal compensation studies conducted across the United States over the past two (2) years, salary base pay range data from public sector organizations representing 400+ organizations and 14,000 participant job match titles, geographically adjusted using a cost of labor factor to Anchorage, Alaska

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Representative Galvin asked about the methodology section, specifically the out-of-state references. She wondered whether Segal included them as peers to Alaska.

Mr. Verdoorn responded that there was a continuation of the survey, specifically as a subset of the specific jobs in the state.

Representative Galvin asked about moving into the Alaska portion and noted there was heavy weight in Anchorage and she was wondering how the data was integrated in the study.

Mr. Verdoorn responded that they relied heavily on the state team.

Representative Stapp asked what they meant by “overturning every rock.”

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Mr. Verdoorn responded that they meant sending emails, making phone calls, and following up.

Representative Hannan asked how they evaluated the turnover rate.

Mr. Verdoorn responded that there were data adjustments within.

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Representative Bynum wondered whether there was access to the other companies’ data.

Mr. Verdoorn replied that through the survey, they signed a non-disclosure agreement (NDA), in order to not specifically reference the protected data in the study.

Representative Bynum asked how they used it.

Mr. Verdoorn responded it was one of the items used in the data sets.

Representative Bynum asked if they were only looking at Alaska or other model.

Mr. Verdoorn responded that they tried to use the most appropriate data, and comp analysts in the study.

Mr. Verdoorn addressed slide 11, “Methodologies, Data Adjustments”:

Data Aging Factor

Annual Aging factor: 4.0 percent

Reflects trends from:

- National and Alaska labor markets
- All industries (Public Admin, Oil and Gas, Utilities)
- Actual salary and structure increases

Based on multiple sources:

- WorldatWork Salary Budget Survey

- Bureau of Labor Employment Cost Index
- NCASG and Milliman Surveys

Cost-of-Labor Adjustment Factor

- All salary data were adjusted to reflect Anchorage, AK as the base labor market.
- Adjustments used Economic Research Institute (ERI) cost-of-labor differentials for peer locations.
- A positive adjustment indicates that the comparator location has a lower cost of labor than Anchorage.
- Example: Colorado's cost of labor is lower
→ adjusted up by 109 percent to match Anchorage.

Workweek Adjustments

- FLSA non-exempt positions adjusted to align with State's 37.5 or 40-hour workweek
- Ensures consistent comparisons across employers with different standard hours
- FLSA Exempt (salaried) positions were not adjusted, as they typically work beyond standard hours

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Mr. Verdoorn pointed to slide 12, "Methodologies, Market Analysis Process":

Job Matching Process

- Matches based on overall comparability to State benchmark job summaries
- 100 percent matches are rare due to differences in size and structure
- Applied the "75 percent rule": work and qualifications must be largely similar
- Broad/narrow roles excluded if not a true match

Data Sufficiency and Job Inclusion

- Segal followed U.S. Department of Labor Safe Harbor Guidelines
- Benchmark jobs needed at least 5 peer matches or a published survey match
- Jobs not meeting this threshold were excluded from competitiveness analysis
- 384 of 404 benchmark jobs met data sufficiency requirements

Quality Control Methods

- Job Matching and Survey Review:
- Peer outreach for validation
- Review of peer job descriptions
- Market Analysis:
- External Segal analytical staff performed thorough quality review of data, formulas, and analysis approach

Mr. Verdoorn looked at slide 13, " Methodologies, Market Competitiveness":

Market Competitiveness Corridor

- Segal's Competitiveness Corridor defines pay comparisons relative to identified market competitive point.
 - A 100 percent comparison means the State is equal to the identified market competitive point (e.g., 50th or 65th percentile).
 - Competitive range is defined as 95 percent to 105 percent of the identified market competitive point.
- This framework describes how the State pay structures align with identified market competitive points.

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Mr. Verdoorn discussed slide 14, "Methodologies, Percentiles":

Understanding Percentiles in Market Data

- 50th Percentile (Median): Half of data points are above, half are below.
- 65th Percentile: Higher than 65 percent of the market, lower than 35 percent.
- Percentiles reflect position, not percentage difference (e.g., 65th \neq 15 percent above 50th).

Mr. Verdoorn pointed to slide 15, "Methodologies State Salary Range Assumptions/Usage/Points":

During discussions with the State, it was determined that the State's range minimum, midpoint, and maximum will represents the followings steps:

- 1.The Alaska State range minimum represents Step A, except for bargaining unit TA the state pay range minimum represents Lane 1, Step 1.

2.The Alaska State pay range midpoint represents Step F, except for the following bargaining units: Step E for bargaining unit SS, Step J for bargaining unit LL, and Lane 1, Step 3 for bargaining unit TA.

3.The Alaska State pay range maximum represents Step O, except for bargaining unit TA, where the state pay range maximum represents Lane 4, Step 1.

Mr. Verdoorn highlighted slide 16, "Market Analysis Findings Overall Salary Structure Comparison":

In the overall combined market, the State's base pay ranges are At Market at the 50th percentile, but Below Market at the range minimum and midpoint at the 65th percentile, and At Market at the maximum for the 65th percentile.

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Representative Bynum asked about industry alignment.

Mr. Verdoorn responded that there were various ways that industry alignment were addressed in the study.

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Mr. Bracken displayed slide 17, "Market Analysis Findings Overall Salary Structure Comparisons":

Compared with the minimum of the salary structure, 72 percent of employees in benchmark jobs are At or Above Market compared to the 50th percentile, and 57 percent of employees in benchmark jobs are At or Above Market compared to the 65th percentile.

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Representative Johnson asked about the rate of change analysis.

Mr. Bracken replied that it showed the static data points associated with the minimums, midpoints, and maximums.

Representative Hannan felt that page ten had a concluding narrative that differed from the presentation.

Mr. Bracken responded that the narrative was focused only on the highly populated benchmark jobs.

Representative Hannan asked whether it related to the low vacancy rate or whether there were more of them.

Mr. Bracken responded that it was definition in the report.

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Representative Stapp wondered whether the salary study for executives and senior administrators looked at all of their letters of agreement and standby pay.

Mr. Bracken responded that it was base pay comparisons only.

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Representative Galvin felt that the 65th percentile at market was a hard benchmark. She asked if there were any states that Segal had analyzed where the salaries were at or above market.

Mr. Bracken replied that many states had developed compensation philosophies, and differed based on their target markets.

Representative Galvin wondered whether they were properly compensated for their skillsets.

Mr. Bracken did not have a good answer to the question.

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Co-Chair Josephson asked about the difference in outcome representations, and perspectives. He specifically asked about the difference between slides 10 and 16.

Mr. Bracken responded that 72 percent of employees were at or above market in pay range minimum.

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Representative Hannan wondered whether the private sector were the four that responded to the survey and whether the public sector included any non-Alaskan entities.

Mr. Bracken deferred to Mr. Ward.

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RICHARD WARD, CONSULTANT, SEGAL, responded that the public sector included entities both inside and outside of Alaska.

Representative Hannan asked whether the data was adjusted for Alaska's geographic differential.

Mr. Ward responded in the affirmative.

Representative Hannan surmised that the private sector benefit was only the four entities that responded to the survey.

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RECONVENED

Mr. Bracken addressed slide 18, "Recommendations":

- Establish a Compensation Philosophy:
 - Develop a guiding strategy for compensation
 - Align principles across job families and bargaining units

- Redesign Salary Structures:
 - Group by occupational families
 - Define min, midpoint, and max for each range
 - Ensure consistent range spreads and midpoint differentials
 - Align ranges to market benchmarks and pay progression

- Improve Salary Structure Administration:
 - Streamline through occupational-based frameworks
 - Reflect supervisory differentials and incentive pay best practices

- Implement Structure Maintenance:
 - Conduct market studies every 3 years
 - Match jobs based on duties, not titles
 - Define labor markets by occupational group

Modernize Classification Structure:
Introduce internal job evaluation methodology
Review and streamline job classes
Schedule regular updates to maintain relevance

Mr. Bracken addressed slide 19, which pointed to further discussion.

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Representative Stapp looked at the health benefits section, and wondered whether the value of the plan should be compared and not the cost.

Mr. Ward responded that in a compensation study, the cost of the plan was an appropriate proxy for the value.

Representative Stapp wondered whether the compensation study included the value of the plan or total cost of the plan.

Mr. Ward replied that the study was the net cost of all the items.

Representative Stapp queried the tool to measure the benchmark.

Mr. Ward responded that they were a combination of a number of sources including an internal proprietary pricing tool that references data from across the country and industry.

Representative Stapp wondered why their own data from a previous study was not included in the presentation.

Mr. Ward responded that the data from the previous analysis was collected in 2016, and the updates since used the data were mostly due to time constraints.

Representative Stapp asked why they did not commission new numbers.

Mr. Ward responded that it was a determination of the leaders under time constraints.

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Representative Galvin asked about the timing of the fast-moving market change.

Mr. Bracken responded that all data was as of January 1, 2025.

Representative Galvin surmised that all the data was as of 2025.

Mr. Bracken replied that the base pay comparisons were from 2025, but the paid time off was from 2024.

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Co-Chair Josephson wondered how other states responded to the reports.

Mr. Bracken responded that the reality was that responses were varied, and all the employees were complex and had multiple variables that impacted the decisions.

Representative Hannan asked if the study was being done every three years.

Mr. Bracken replied that complex organizations often used a staggered approach.

Representative Hannan asked if he were familiar with data collection and asked if it was the kind of data that would be used in the study.

Mr. Bracken responded that they did not do a data collection.

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Representative Johnson wondered whether there had been a change in the direction of private sector employment being "better" than the public sector.

Mr. Bracken responded that, recently, that perception had changed in the benchmarking work.

Representative Bynum asked about the next steps.

Ms. Vrana responded that the department had committed to several next steps.

Representative Bynum stressed that the biggest question was about the timeframe.

Ms. Vrana deferred to Ms. Brill.

Ms. Brill responded that the studies that were occurring changed the plan.

Representative Bynum asked if they expected an immediate change.

Ms. Brill did not know.

Co-Chair Schrage thanked the presenters, and discussed housekeeping.

#

ADJOURNMENT

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The meeting was adjourned at 3:47 p.m.