



New Jersey School Boards Association Insurance Group

450 Veterans Drive
Burlington, New Jersey 08016
(609) 386-6060 • FAX (609) 386-8877
www.njsbaig.org

Board of Trustees Meeting of September 12, 2012

Action Item

2012/2013 Budget Revision

The Hay Group was engaged to evaluate the Group's proposed merit salary increase for the 2012/2013 year. Nate Aycok, Hay Group project leader was tasked to write a summary of the project. That summary memo is attached and dated 8/13/12.

The finance committee of the NJSBAIG Trustees convened a conference call meeting on August 10, 2012 to discuss the Hay findings. Nate Aycok, Hay Group project leader reviewed the Hay Group report with the committee. The Hay Group findings defined 3.0% as the average merit increase the target competition was projecting for 2012. This finding is shown in Nate's attached letter.

Based on this information the NJSBAIG finance committee has recommended to amend the NJSBAIG 2012/2013 salary budget from 2.0% to 3.0%. The updated budget has been modified to reflect that recommendation (T 12-13 BUDGET summary 8-13-12).

Recommended Resolution: Modify the 2012/2013 budget from a 2.0% to 3.0% for salary increase as per the Hay Group recommendation.

Marty

Marty Kalbach, Director
mkalbach@njsbaig.org

NEW JERSEY SCHOOL BOARDS ASSOCIATION INSURANCE GROUP
 2012 - 2013 BUDGET
 T BUDGET SUMMARY 8-13-12

Account	Description	2009/2010 ACTUAL	2010/2011 ACTUAL	2011/2012 BUDGET YTD	2011/2012 PROJECTED	2011/2012 VARIANCE TO BUDGET	2012/2013 BUDGET
Income:							
4101	UST	7,336	6,747	0	9,920	100%	7,651
4102	Student Accident	3,234,367	3,483,042	3,489,759	4,363,000	20%	4,335,795
4103	Workman's Compensation	56,457,989	55,901,606	56,244,393	57,413,772	2%	61,658,481
4104	Property	14,175,090	14,383,578	13,347,523	13,730,254	3%	15,332,581
4105	Automobile Liability	5,756,544	5,794,171	5,757,377	6,052,365	5%	6,056,436
4106	Automobile Phys. Damage	635,573	660,351	664,274	689,591	4%	694,896
4107	General Liability	8,267,907	8,435,046	8,447,337	8,734,965	3%	8,859,472
4108	Boiler	984,767	924,496	924,441	957,172	3%	958,559
4109	Errors & Omissions	7,671,073	8,690,063	9,183,010	9,396,739	2%	10,085,291
4110	Umbrella	3,530,058	3,587,097	3,458,121	3,531,619	2%	3,918,953
4111	Crime	414,513	444,228	267,304	501,315	47%	295,629
4113	Pollution Liability Income	102,385	103,491	103,491	17,643	-487%	50,852
4114	E.D.P.	670,957	694,148	680,144	712,792	5%	739,398
4115	Cigna/Fireman's Fund Income	0	0	0	0		0
4117	Retro Accounts Income	101,294	71,151	125,000	41,088	-204%	125,000
4118	Willis Change in Unrnd Premium	76,227	-991,378	0	0		0
4121	Builder's Risk	61,853	17,208	7,395	23,437	68%	11,399
4122	Supplemental Indemnity	725,226	823,769	787,089	821,993	4%	862,018
4123	Bond Premium	275,158	292,938	178,203	292,378	39%	197,086
4131	Willis ChngUnrndRetMgtFeePrem	16,566	0	0	0		0
	Premium Income	103,164,882	103,321,753	103,664,861	107,290,044	3%	114,189,497
4202	Retro Prem/Svc Written	0	64,500	0	0		0
	Retro Accounts Income	0	64,500	0	0		0
	Total Income W/O Investments	103,164,882	103,386,253	103,664,861	107,290,044	3%	114,189,497

NEW JERSEY SCHOOL BOARDS ASSOCIATION INSURANCE GROUP
2012 - 2013 BUDGET
T BUDGET SUMMARY 8-13-12

Account	Description	2009/2010 ACTUAL	2010/2011 ACTUAL	2011/2012 BUDGET YTD	2011/2012 PROJECTED	2011/2012 VARIANCE TO BUDGET	2012/2013 BUDGET
	Adjustments:						
4301	Reinsurance Recoveries	1,767,038	4,145,376	0	2,690,803	100%	0
4302	Reins Recovery W/C 85/86	-34,834	-11,260	0	0		0
4303	Accrued Reins Recoveries	-157,333	0	0	0		0
4304	Subrogation Income	854,545	2,377,877	0	741,724	100%	0
4306	Reinsurance Rebate Income	18,990	116,512	0	96,745	100%	0
	Recoveries & Subro Income	2,448,406	6,628,505	0	3,529,272	100%	0
	Total Revenue W/O Investments	105,613,287	110,014,758	103,664,861	110,819,316	6%	114,189,497
	Expenses:						
5102	Salaries-Temporary Employees	76,344	65,815	59,320	122,558	52%	49,320
5103	Salaries	3,842,969	3,978,417	4,476,835	4,279,304	-5%	4,886,258
5108	Payroll Tax Expenses	320,785	344,959	388,518	338,475	-15%	413,632
5109	Pension Expense	267,554	403,940	466,929	444,520	-5%	524,534
5110	Employee Benefits Expense	1,127,779	1,294,198	1,775,205	1,311,158	-35%	2,082,713
5111	Recruiting Costs	5,662	4,195	6,000	6,327	5%	5,000
5112	Reiree Med Bene Exp	1,414	48,222	48,222	48,222	0%	48,222
	Personnel Expenses	5,642,506	6,139,746	7,221,029	6,550,563	-10%	7,989,677
5202	Hard Copy Expense	1,565	88	9,500	5,000	-90%	25,000
5203	Marketing Expenses	11,581	7,099	17,700	10,000	-77%	20,500
	Member Services Dept Expenses	13,146	7,187	27,200	15,000	-81%	45,500
5227	Loss Prevention	24,725	19,746	51,800	40,344	-28%	78,000
	Loss Control Dept Expenses	24,725	19,746	51,800	40,344	-28%	78,000
5252	Claims Audit Expense	10,242	9,827	13,500	13,500	0%	13,500
5253	Claims Admin. Expenses	32	0	2,500	1,000	-150%	1,000

NEW JERSEY SCHOOL BOARDS ASSOCIATION INSURANCE GROUP
 2012 - 2013 BUDGET
 T BUDGET SUMMARY 8-13-12

Account	Description	2009/2010 ACTUAL	2010/2011 ACTUAL	2011/2012 BUDGET YTD	2011/2012 PROJECTED	2011/2012 VARIANCE TO BUDGET	2012/2013 BUDGET
	Claims Dept Expenses	10,274	9,827	16,000	14,500	-10%	14,500
5301	Accounting Fees	2,200	1,150	2,300	1,131	-103%	2,300
5303	Actuary Fees	176,383	62,312	130,000	131,000	1%	137,000
5305	Mngmt Maintenance Syst Expense	400,000	0	250,000	0		0
5306	Legal & Professional Fees	192,429	264,799	210,000	300,000	30%	320,000
5309	Agents Fees	12,345,018	12,818,143	12,716,483	12,932,394	2%	13,486,435
5310	Third Party Admin.-Willis Outside Service Fees	750,000 13,866,030	750,000 13,896,404	700,000 14,008,783	712,500 14,077,025	2% 0%	675,000 14,620,735
5401	Claims Expense	48,693,168	50,468,126	57,981,185	57,968,685	0%	62,799,420
5402	Change in Claims Reserves Claims Expenses	0 48,693,168	8,946,000 59,414,126	0 57,981,185	0 57,968,685	 0%	 62,668,418
5502	Reinsurance Exp (Group/Flat)	0	0	0	0		0
5505	Reinsurance Exp-District Bill	22,689,725	23,068,953	22,263,881	23,417,716	5%	26,383,298
5507	Reinsurance Exp-NJSBAIG Paid Reinsurance Expenses	0 22,689,725	0 23,068,953	0 22,263,881	0 23,417,716	 5%	 26,383,298
5352	IT - Office Equipment Supplies	28,791	44,247	47,500	30,000	-58%	47,800
5353	Office Equipment Maintenance	14,785	8,443	25,625	25,000	-3%	33,550
5354	Computer Software Maintenance Information Technology Dept	153,251 196,826	218,003 270,693	149,723 222,848	142,657 197,657	-5% -13%	200,604 281,954
5702	Depreciation Expense	304,927	359,189	373,719	467,000	20%	463,998
5703	Dues & Subscriptions	23,866	23,580	23,650	30,025	21%	34,680
5704	Misc. Bank Fees	3,500	3,643	3,500	3,500	0%	3,500
5708	Rent Expense	186,949	212,175	205,000	215,000	5%	215,000
5709	Office Supplies	35,739	31,088	42,800	30,384	-41%	42,800
5710	Office Operating Expenses	47,597	60,121	79,000	62,000	-27%	79,271

NEW JERSEY SCHOOL BOARDS ASSOCIATION INSURANCE GROUP
2012 - 2013 BUDGET
T BUDGET SUMMARY 8-13-12

Account	Description	2009/2010 ACTUAL	2010/2011 ACTUAL	2011/2012 BUDGET YTD	2011/2012 PROJECTED	2011/2012 VARIANCE TO BUDGET	2012/2013 BUDGET
5711	Office Leased Expenses	22,452	22,363	28,000	23,000	-22%	28,000
5712	Telephone Expense	23,880	24,633	27,000	25,000	-8%	28,100
5713	Employee Internet Reimbursmt	8,155	8,103	8,820	9,489	7%	0
5714	Utilities	40,003	44,331	61,000	42,600	-43%	51,000
5715	Group's Insurance Expense	145,251	156,520	150,000	155,000	3%	200,000
5716	Group's Crime Insurance Exp.	16,857	18,470	15,000	19,000	21%	20,000
5723	Postage	46,649	47,371	58,000	56,020	-4%	65,000
5727	Employee Seminar Expenses	14,527	22,366	54,350	35,200	-54%	50,750
5728	Insurance Course Fees	1,384	2,273	7,000	4,000	-75%	5,500
5729	Tuition Reimbursement	404	204	6,300	3,000	-110%	5,300
5730	Audit Fees	50,472	50,920	50,000	50,000	0%	50,000
5731	Consulting Fees	107,401	182,201	244,431	154,000	-59%	243,200
5732	Miscellaneous Expenses	14,781	22,608	24,000	19,750	-22%	29,550
5733	Disaster Recovery Expenses	22,268	55,635	55,000	56,657	3%	55,000
5735	DOBI Audit Fees	15,000	0	0	0		0
5737	Cell Phone Expense	14,450	13,900	15,600	18,300	15%	28,000
	Business Operating Expenses	10,260,022	5,763,119	1,532,170	5,478,926	72%	1,698,649
5201	Travel & Related Exp.	176,040	168,053	265,525	169,505	-57%	261,863
5851	Annual Meeting	46,165	40,639	59,940	54,001	-11%	71,100
5852	Trustee Meeting Expense	15,327	21,538	24,000	18,000	-33%	24,000
	Conferences & Meeting Expenses	237,532	230,229	349,465	241,506	-45%	346,963
	Total Expenses	101,633,953	108,820,031	103,674,361	108,001,922	4%	114,189,497
	Other Revenue and Expenses:						
4405	Partnership Distributions	138	0	0	0		0
4413	Interest-NJ St Inv Fund	4,770,946	4,307,919	1,923,525	1,876,497	-3%	0
4414	Interest-NJ Cash Mgmt Fund	35,898	645	64	79	19%	0
4415	Interest-Commerce Concentr	272,339	127,530	11,063	87,984	87%	0

NEW JERSEY SCHOOL BOARDS ASSOCIATION INSURANCE GROUP
 2012 - 2013 BUDGET
 T BUDGET SUMMARY 8-13-12

Account Description	2009/2010 ACTUAL	2010/2011 ACTUAL	2011/2012 BUDGET YTD	2011/2012 PROJECTED	2011/2012 VARIANCE TO BUDGET	2012/2013 BUDGET
4420 Interest - Certificate of Dep	559,564	630,119	150,564	40,773	-269%	0
4421 Interest -Tri-State Capital	3	3	0	0		0
4422 Interest - Beneficial Bank	136,351	154,507	4,061	0		0
Investment Income	5,775,239	5,220,723	2,089,277	2,005,334	-4%	1,750,000
Total Other Revenue and Expenses	4,939,095	3,623,457	2,098,773	1,262,192	-66%	1,750,000
Net Revenue	8,918,429	4,818,184	2,089,273	4,079,586	49%	1,750,000
Total Income Without Investment						114,189,497
Total Income Less Expenses						0
Reserve for Contingency (Investment Income)						1,750,000

August 13, 2012

Mr. Marty Kalbach
Director
NJSBAIG
450 Veterans Drive
Burlington, NJ 08016

Hay Group, Inc.
Harborside Financial Center
2310 Plaza Five
Jersey City, NJ 07311-4013
USA

tel +1.201.557.8400
fax +1.201.557.5800

www.haygroup.com

Dear Marty:

As requested, this letter summarizes the compensation and benefits analysis Hay Group conducted and presented to the NJSBAIG personnel/finance committee on August 10th 2012.

The comparator group used for our analysis included public and private property/casualty insurance organizations. We recommended this comparator group to represent “the market” because it reflects the types of organizations against which NJSBAIG competes from a product standpoint as well as for talent in terms of attracting and retaining employees.

For the 24 selected NJSBAIG benchmark positions we found base salary levels to be competitive (3% above market median). Total remuneration (base salary plus bonuses plus benefits) was also competitive (15% above market median). Cross-industry surveys conducted independently by Hay Group and SHRM (Society for Human Resource Management) each showed a median 2012/2013 salary increase budget of 3%.

Our analysis of NJSBAIG benefits included two sets of findings, one from value of benefits perspective based on Hay Group’s proprietary Benefits Value Comparison methodology and another from a cost perspective showing the average cost as a percentage of pay. The value of NJSBAIG benefits is above the 90th percentile of the market for salary levels through \$100,000. The cost of benefits as a percentage of pay is above the 90th percentile.

Thanks,



Nathan Aycock
Senior Consultant

Cc: Melvyn J. Stark
Vice President
Adam E Meyers, FSA
Vice President