



TOWN OF BARRINGTON

NEW HAMPSHIRE

Office of the Town Administrator

TO: Barrington Select Board
FROM: Conner MacIver, Town Administrator
SUBJECT: Pay Plan Cost of Living Adjustment Methodology
DATE: July 1, 2021

In 2019, the Select Board invested in a comprehensive compensation study which evaluated total rewards (wages and benefits) of Barrington employees compared to ten comparable municipalities. The results called for increased wages and reduced benefits in order to align Barrington's total rewards with the labor market. The Select Board supported the recommendations and implemented the new pay plan and benefit adjustments in April of 2020.

During 2021 budget planning, the Select Board maintained their support of employees and the compensation study by authorizing progression along the pay plan for eligible employees. This progression is an important part of keeping our compensation in line with the labor market.

The 2019 Compensation Study Report explained that using cost of living adjustments to keep the pay plan current was another important maintenance step of the approved Compensation Study. The report recommended utilizing a combination of the Consumer Price Index, Social Security cost of living adjustments and the cost-of-living increases provided by other NH communities as the basis for determining the value of an annual cost of living adjustment.

In early 2021, the Select Board requested the development of a COLA procedure which established data points and other considerations for reviewing and approving proposed cost of living adjustments. The Select Board identified the importance of differentiating cost of living adjustments from pay plan progression wage increases. The purpose of a cost of living adjustment is to ensure the pay plan (and employee wages) remains current with inflation.

Data

The U.S. Bureau of Labor Statistics (BLS) publishes the Consumer Price Index (CPI) as a measure of financial inflation. The data provides comparative value of the CPI at different periods in time. The BLS publishes monthly data for the Northeast Region and bi-monthly data for the Boston-Cambridge-Newton, MA-NH region (which includes Strafford County). The change in CPI over a period of time can be reflected as a percentage increase or decrease.

The Social Security Administration announces cost of living adjustments for recipients in October each year.

Recommendation

Each year, at the first Select Board meeting in November, the Select Board should consider applying a cost of living adjustment of the average of the CPI (Northeast Region and Boston-



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Cambridge-Newton, MA-NH region) from last pay plan update and average Social Security cost of living adjustment(s) since the last pay plan update. This adjustment would be effective as of the first payroll in April of the following year (contingent upon passage of the operating budget).

The starting date for data comparison would be the date of last update. Currently, the pay plan was last updated in April of 2020. If the pay plan was updated in October of 2021, that would be the starting date for the 2022 review.

The CPI Northeast Region ending data used would be from October, the CPI Boston-Cambridge-Newton, MA-NH region ending data used would be from September (October is the off-month of bi-monthly reporting), and the October Social Security COLA announcement will be used. These three data points would be averaged and rounded to two decimal places.

If the result is positive, the Select Board should consider authorizing that COLA increase to the pay plan beginning in April of the following year. The percentage would be used in increase all base wages on salaries and pay plans (including Union). If the result is negative, there would be no change. In the year after a negative value, the negative value would be factored into the calculated cost of living adjustment by including both years of data. Calculation equation:

$$\begin{array}{r} \frac{\text{CPI Northeast October} - \text{CPI Northeast (as of last update)}}{\text{CPI Northeast (as of last update)}} \times 100 \\ + \\ \frac{\text{CPI Boston-Cambridge-Newton September} - \text{CPI Boston-Cambridge-Newton (as of last update)}}{\text{CPI Boston-Cambridge-Newton (as of last update)}} \times 100 \\ + \\ \text{Average Social Security COLA since last update} \\ \hline 3 \end{array}$$

The recommended methodology is consistent with the Compensation Study Report and the approach used by other New Hampshire municipalities. Additionally, the proposed process is objective, relying on publicly available information. If the Select Board is comfortable with the proposed methodology, I can draft it into a policy document to be adopted at an upcoming meeting.

Sincerely,

Conner MacIver