

Virginia Governmental Employees Association



William P. Elwood

Remarks to the Senate Finance General Government Subcommittee

January 16, 2007

Virginia Governmental Employees Association

2007 Legislative Agenda

- Immediate and aggressive progression of across the board salary increases to allow state employee compensation to close the gap with their counterparts in the private sector. The 2006 General Assembly seeded a 3% across the board increase for November 2007; VGEA is seeking an additional 3% during the 2007 General Assembly to bring the total to 6%.
- Begin increasing the health insurance credit for retirees from the current \$4 per month per year of service.
- Maintain VRS as a defined benefit plan and resist efforts to convert to a defined contribution plan.
- Strengthen the VRS Deferred Compensation Program (DCP) to enroll all new employees in the plan unless they opt out and provide for increased matching contributions.
- Closely monitor and provide guidance to JLARC for the proposed “Study of Compensation for Employees of the Commonwealth” which is scheduled to be completed in October 2008. An end goal of this study should be to reinstitute and institutionalize an ongoing study of critical issues relating to the state workforce, similar to the State Workforce Commission or “Holland Commission.”

6% Across the Board Salary Increase

- November 2005 DHRM figures show 17.35% gap in state employee salaries compared to private sector counterparts
- 2006 General Assembly approves 4% (+ 1/2% pay practices) salary increase for 11/2006 and 3% across the board increase “seed money” for 11/2007 included in budget, with intent to further increase during 2007 Session
- Despite 4% ATB + 1/2% pay practices increases in 2006, the most recent DHRM figures show state employees fell further behind private sector in salaries (18.5%)
- Governor’s budget amendments provide no additional funding, despite national market trends showing a 3.62% average salary increase

6% Across the Board Salary Increase

- Following state employee salary freezes of 80's and 90's, General Assembly acted aggressively to make up lost ground:
 - 8.6% increase FY 84; 9.0% increase FY 85
 - 6.79% increase FY 94
- Following most recent freezes of FY 02 and FY 03, similarly aggressive actions have not occurred, allowing private sector salary gap to widen
- Cash Compensation vs. Total Compensation
 - Cash compensation is actual cash paid in salaries, wages and bonuses, thus a truer value to the *employee*
 - Total compensation is cash compensation, plus the value to the *employer* of all employee benefits, which may or may not be of value to the employee
- Across the Board vs. Performance Based
 - ATB recipients must still “meet expectations” in their job performances
 - Performance based programs have neither been adequately funded nor administered to inspire employee confidence; salary gap must first be addressed for all employees before new performance based efforts attempted

Increase Retiree Health Care Credit

- 2006 General Assembly approved HB 59, removing years of service cap on retiree health care credit for state retirees
- This action helped state employees with over 30 years of service, \$4 per month for each extra year of service
- However, effective FY 08, the day an employee retires, their monthly out of pocket cost for family coverage increases from \$147 to \$1,035
- HB 1833 has been introduced to increase credit from \$4 to \$6 per month for each year of service

Keep VRS as Defined Benefit Plan

- As a defined benefit plan, VRS has long offered assurances to state employees that their retirement benefits were reliable and predictable, with a formula set by statute
- Efforts to shift VRS into a defined contribution plan could take away that assurance and leave employees, especially those nearing retirement, vulnerable to the fluctuations of the stock market and investment vehicles chosen to provide the retirement income stream
- Not one single employee group has expressed support for the concept of transitioning VRS into a defined contribution plan
- HB's 1941 and 2956 have been introduced to create defined contribution plans (HB 1941 mandatory for all state employees hired after July 1, 2008; HB 2956 optional for all state employees hired after July 1, 2007); VGEA opposes

Change Deferred Compensation Program (DCP) to “Opt Out” for New Employees

- Existing deferred compensation plan allows state employees to “opt in” to the program and the Commonwealth is authorized to match per pay period, the lesser of \$50 or 50% of what the employee contributes to the plan
- To encourage greater participation, VGEA proposes to amend the plan to make it an “opt out” program whereby effective January 1, 2008, new employees would be enrolled in the plan at a level of \$20 per pay period unless they chose to opt out of the program entirely or participate at a different financial level
- HB 1830 has been introduced to accomplish this goal

JLARC Study of Compensation for Employees of the Commonwealth

- JLARC has proposed a comprehensive two year study of the entire system of compensation for state employees
- Such a study is long overdue and similar reviews of such scope have not been undertaken since the State Workforce Commission (Holland Commission) of the 1990's
- VGEA supports the comprehensive review proposed by JLARC and looks forward to working closely with staff to ensure that state employee interests and concerns are heard
- VGEA also seeks a reinstitution and institutionalization of an ongoing study of critical issues relating to the state workforce, similar to the State Workforce Commission or "Holland Commission."

McLOSKY 2006 RELEASED BY CP

BUT MOM,
YOU NEED TO BE
HAPPY WITH WHAT
YOU HAVE INSTEAD
OF ALWAYS ASKING
FOR MORE.



BUT I WANT THE
6% PAY INCREASE!
I DON'T CARE THAT I
HAVE A SECURE JOB
WITH BENEFITS!!-
I WANT IT!!
I WANT IT!!
I WANT IT!!

