

SENATE OF VIRGINIA

Senate Finance Committee

Compensation and Benefits Update

January 21, 2014



SENATE FINANCE COMMITTEE

Retirement System

Employer Contribution Rates

- In the introduced budget, employer contributions to the Virginia Retirement System adhere to the phase-in of the VRS Board certified rates as specified in Chapter 823 of the 2012 Acts of Assembly and also include the payment for the 10-year payback of deferred contributions.
 - Assumes 7.0% Rate of Return, 2.4% Cost of Living Adjustment, and 30-year closed amortization.
- Funding for Other Post-Employment Benefits (OPEBs) are also fully funded at Board certified rates.

	Employer Retirement Contribution Rate	FY 2015	FY 2016
		(\$ in millions)	
VRS - State Employees	12.33%	\$ 58.5	\$ 58.5
SPORS	27.63%	2.6	2.6
VALORS	18.24%	10.7	10.7
Judges	51.66%	3.8	3.8
VRS - Teachers	14.50%	80.7	81.9



Employee Health Insurance (General Fund \$ in millions)

- Proposes \$24.3 million GF in FY 2015 and \$58.9 million GF in FY 2016 for increased premiums for state employee health insurance – assuming premium increases of 5% in FY 2015 and 7% in FY 2016.
 - Proposed policy changes embedded, include:
 - Waive Tier 1 and 2 copays for asthma and antihypertensive medications.
 - Increase copays by \$5 for Tier 2 to 4 prescriptions filled at retail.
 - Increase copays by \$10 for Tier 2 to 4 prescriptions filled by mail.
 - Establish on-site state employee clinic near Capitol Square.

Proposed Employee Health Insurance Actions	
Description	(\$ in millions)
FY 2014 Premium Increases – Introduced	\$83.2
Funding for UVA Health Plan	0.7
TOTAL, Employee Health Insurance	\$83.8



Employee Compensation Actions

- The introduced budget proposes a **one-time bonus** payment equal to **two percent** of base pay on December 1, 2014 for “contributor” employees and additional one-time performance bonus of **one percent** for “extraordinary contributor” employees.
 - Employed between April 1, 2014 and November 24, 2104.
 - **Contingent** upon FY14 discretionary general fund balance of **at least twice** the estimated cost of the bonus.
 - Similar to approach used for three percent bonus in FY 2012.
 - There is no actual appropriation associated with this action.
- Additionally, the proposed budget includes **\$50.0 million GF in funding to address salary actions for public employees**, including K-12 education and compensation board (except elected officials).



Proposed Employee Compensation Actions

(General Fund \$ in millions)

Employee Compensation Actions

Description	<u>(\$ in millions)</u>
State Employees Bonus (2.0 + 1.0 percent)	Balances
State Supported Locals Bonus (2.0 + 1.0 percent)	Balances
Targeted High-Turnover Positions (2.0 percent)	\$20.1
Deputy Sheriffs, Grade 7 & 8 (2.0 percent)	9.8
Assistant Commonwealth Attorneys	4.2
Circuit Court Deputy Clerks	0.9
K-12 Strategic Compensation Grants	15.0
TOTAL, Employee Compensation Amendments	\$50.0



2013-14 Employee Compensation Workgroup

- Chapter 806 established a work-group led by the Secretary of Finance and the Secretary of Administration to review State Employee Compensation.
 - Recommendations by November 1, 2013 and final report by June 30, 2014.
 - Priority for review of public safety personnel compensation and explicit review of deputy clerks of district courts.
 - Workgroup included representatives of executive, legislative, and judicial branches.
- Identified 19 classes of high turnover positions across public safety and healthcare job roles.
 - Introduced budget includes a 2% base adjustment for these groups.
 - \$9.0 million GF in FY 2015 and 10.3 million GF in FY 2016.
- The FY2013 average rate of turnover for the state workforce, excluding layoffs and retirements, is 7.65 percent.



Agencies with Highest Turnover

Agency*	Separations	Turnover (%)
DBHDS	1,343	16.40%
Juvenile Justice	328	15.68%
Veterans Services	87	15.43%
Radford University	55	11.41%
Virginia Commonwealth University	282	10.56%
George Mason University	168	9.95%
Corrections	1,084	9.49%
Military Affairs	23	8.35%
Education	32	7.68%

*Agencies with more than 200 employees.



Public Safety Occupational Family

- The study mandate identifies “public safety related personnel” as a priority.
 - Six career groups and 15,468 state jobs.
 - Emergency Services
 - Forensic Science
 - Law Enforcement
 - Probation and Parole
 - Public Safety Compliance
 - Security Services
- Turnover for positions in the public safety occupations was 9.67%, and for the Virginia State Police 3.17%.



Turnover Rates Vary Among Public Safety Occupations

Role	Total	Separation	Turnover
Compliance Safety Officer II	31.5	5	15.87%
Security Officer III	6,637.0	1,007	15.17%
Emergency Coordinator I	112.0	15	13.39%
Probation Officer Asst.	81.0	10	12.35%
Emergency Coordinator II	134.5	16	11.90%
Law Enforcement Officer I	286.5	29	10.12%
Security Officer I	41.0	4	9.76%
Forensic Science Spec II / Scientist II	112.0	9	8.04%
Probation Officer I	1,208.0	74	6.13%
Security Officer II	74.5	4	5.37%
Law Enforcement Officer II	824.5	37	4.49%
Law Enforcement Officer III	768.5	13	1.69%



Employee Compensation Actions Targeted at High Turnover Roles

Targeted Employee Compensation Roles	
Law Enforcement Officer I	Registered Nurse I
Security Officer I	Registered Nurse II / Nurse Practitioner
Security Officer II	Licensed Practical Nurse
Probation Officer Assistant	Therapy Assistant / Therapist I
Direct Service Associate I	Therapist II
Direct Service Associate II	Compliance / Safety Officer II
Direct Service Associate III	District Court Deputy Clerk, Grade 6
Housekeeping / Apparel Worker I	District Court Deputy Clerk, Grade 7
Emergency Coordinator I	District Court Deputy Clerk, Grade 8
Emergency Coordinator II	



Proposed Base Adjustment Focuses on High Turnover Roles

Role	Turnover (%)	Average Salary NoVa	Average Salary
Law Enforcement Officer I	10.12%	\$ 46,450	\$ 37,652
Security Officer I	9.76%	30,942	25,352
Security Officer II	15.17%	39,652	33,440
Probation Officer Assistant	17.14%	26,661	21,834
Direct Service Associate I	22.36%	30,273	24,795
Direct Service Associate II	14.11%	39,041	30,477
Direct Service Associate III	12.35%	38,160	31,285
Housekeeping / Apparel Worker I	9.92%	28,319	21,240
Emergency Coordinator I	13.39%	46,450	37,652
Emergency Coordinator II	11.90%	30,942	25,352



Proposed Base Adjustment Focuses on High Turnover Roles

Role	Turnover (%)	Average Salary NoVa	Average Salary
Registered Nurse I	14.71%	\$ 53,951	\$ 49,922
Registered Nurse II / CNP	19.19%	64,236	58,070
Licensed Practical Nurse	20.27%	41,982	37,735
Therapy Assistant / Therapist I	12.33%	44,282	39,974
Therapist II	16.26%	46,878	43,806
Compliance / Safety Officer II	15.87%	50,635	36,260
District Court Deputy Clerk, Grade 6	30.56%		26,587
District Court Deputy Clerk, Grade 7	12.83%		29,241
District Court Deputy Clerk, Grade 8	12.67%		31,788



Retention Issues Difficult to Assess

- Retention issues in the state government workforce can arise from:
 - Not being competitive with local, state, regional, or national market
 - Supply and demand issues with particular occupational families
 - Work environment
 - Location
 - Work-Life balance / Agency culture
- Reductions in force within Department of Human Resources Management and agency personnel offices have led to incomplete data related to primary retention-related drivers.



Initiatives Implementing Recommendations of the Employee Compensation Workgroup

- Proposes \$225,000 in FY 2015 and \$175,000 in FY 2016 to implement several of the recommendations of the 2013 Employee Compensation Workgroup.
 - Online exit interview for employees leaving service.
 - Statistical software for improved analysis of employee data.
- An additional \$800,000 is proposed for JLARC to retain a consultant for updating the 2008 and 2011 reviews of employee total compensation.
 - Depending on the scope of work, the timing of this action could be accelerated and the cost reduced.



Compensation Board Related Actions

- Sheriffs and Regional Jails
 - \$4.7 million GF/year – 2% salary increase for deputy sheriffs (grades 7 and 8);
- Circuit Court Clerks
 - \$0.4 million GF/year – 4% salary increase for Circuit Court Deputy Clerk I positions and 2% for Deputy Clerk II positions;
- Commonwealth's Attorney's
 - \$2.1 million GF/year for the second phase of the increase for all Assistant Commonwealth's Attorneys (raising the starting salary to \$52,000).
- Provides \$770,513 GF each year to expand career development programs.
 - Existing employees that have met criteria to receive the salary supplement, but not currently receiving.
 - Would require an additional \$1.6 million to include all eligible Treasurers and Commissioners of Revenue employees.



Compensation Options

- Eliminating the contingent bonus proposal and replacing with a dedicated appropriation could take several forms, including:
 - Dedicated pool of funding for agency pay practices,
 - Annualized bonus payments based on individual employee performance,
 - Career development / career progression programs, and
 - Enhancing and expanding pay compression and retention initiatives.

Employee Group	1% Base Adjustment (\$ in millions / yr.)
State Employees	\$ 15.9
Higher Ed Faculty	10.4
K-12	40.2
State Trooper	1.2
Other LEO	3.9
Judges	0.9
Appointed	0.1
Total	\$ 72.6

Employee Group	1% Base Adjustment (\$ in millions / yr.)
Sheriffs Offices	\$ 4.6
Commonwealth's Attorney's Offices	0.7
Circuit Courts	0.5
Treasurers / Finance / Revenue	0.4
Registrars / Elections	0.1
Other State Supported	3.5
Total State Supported	\$ 9.9

