

# Senate Finance Committee

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## Overview of State Workforce Demographics, Compensation and Benefits

November 16, 2016

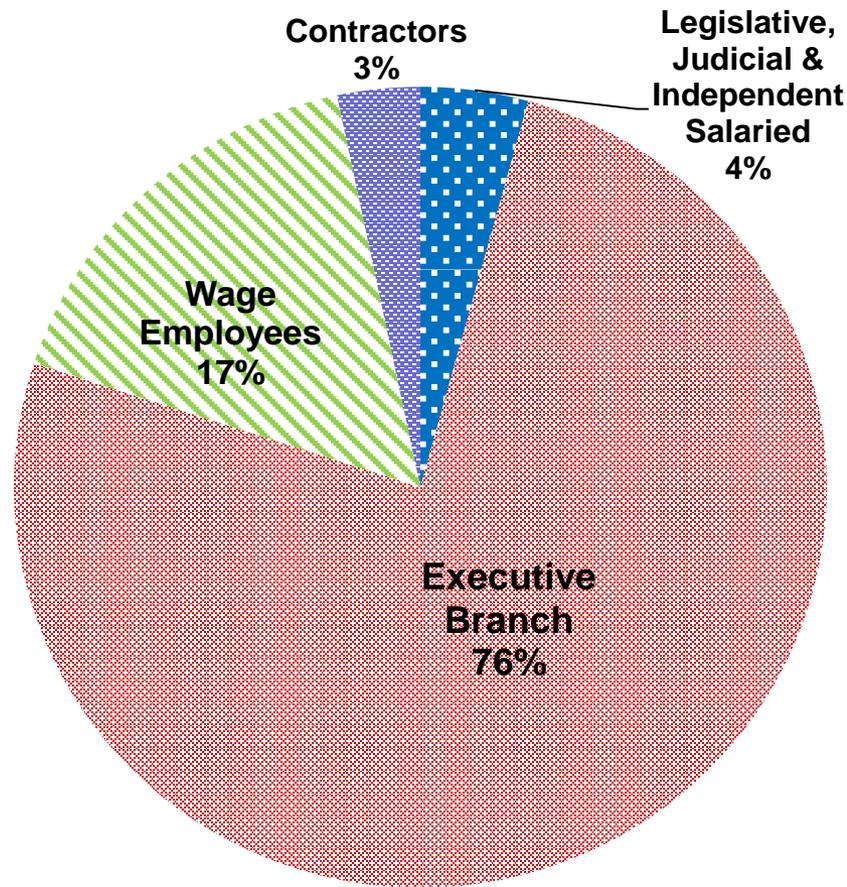


# Critical Issues Facing the Commonwealth are Longstanding

- The Commonwealth's workforce is aging with a high percentage eligible, or soon to be eligible, for retirement (25 percent).
- Pay lags the private sector for similar occupations (25 percent deficit).
  - When competitive salaries are provided for high demand occupations, compression also becomes an issue.
- Millennials comprise a growing share of the US workforce and will replace many of the jobs within state government in the coming years.
  - Is our current pay/benefit structure effective in attracting, retaining and motivating both existing and prospective employees?
- High levels of voluntary separation, and lack of workforce/succession planning may result in an inadequate transfer of institutional knowledge.
  - Could lead to lower productivity, jeopardizing agency and programmatic missions.



# The Commonwealth is a Large Employer



- The Commonwealth spends \$9 billion on compensation, annually (all funds).
  - Includes salary and fringe benefits, such as VRS, Healthcare, VSDP and FICA.
- 76 percent of salaried positions are within the Executive Branch, and of those, 50 percent are in Higher Education.

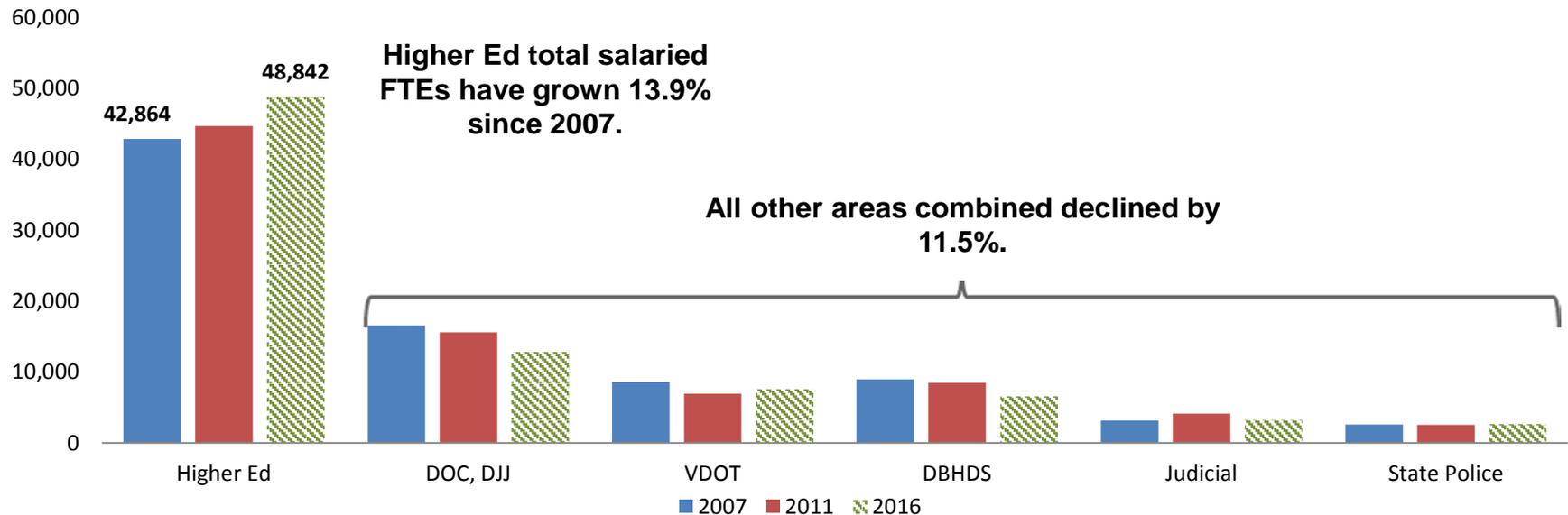
Area/Position	Total FTE
Executive Branch Employees	98,042
Wage Employees	21,612
Legislative, Judicial & Independent	5,543
Contractors	4,260
<b>Total FTEs (as of June 30, 2016)</b>	<b>129,457</b>



Source: Virginia Department of Human Resource Management data, Monthly FTE Reports for June 30, 2016.

# Most of the State's Workforce is Concentrated in Six Areas

- Nearly 80% of the State's workforce (total salaried FTEs, all funds) is concentrated in the areas of Higher Education, Corrections, Transportation, Mental Health, Judicial and State Police.
- While total employment levels have remained relatively constant, growth in Higher Education has masked reductions in other program areas.
  - From 2007 to 2016, total Higher Education enrollment (all levels) grew by 14%.

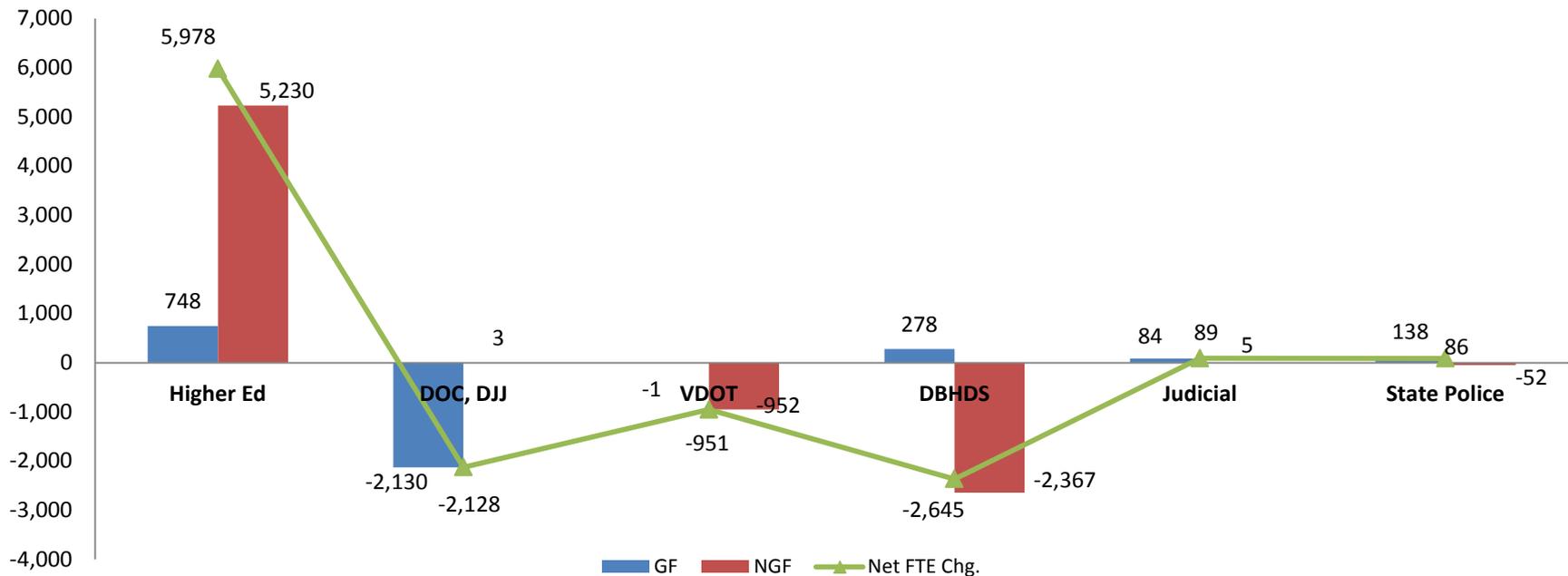


Source: SFC staff analysis of Virginia Department of Human Resource Management data, Monthly FTE Reports for June 30, 2016, retrieved 10/5/2016.



# Growth in Total FTE and NGF Positions Varies

- Higher Ed experienced overall position growth of 14 percent, driven primarily by an increase in NGF positions, including federally funded research positions and those positions covered by tuition and fees.
- Decline over this time period in the other areas was led by a significant reduction in NGF positions (-24.8%), particularly in the areas of Mental Health and Transportation, as well as GF position reductions in Corrections (-14.4%).



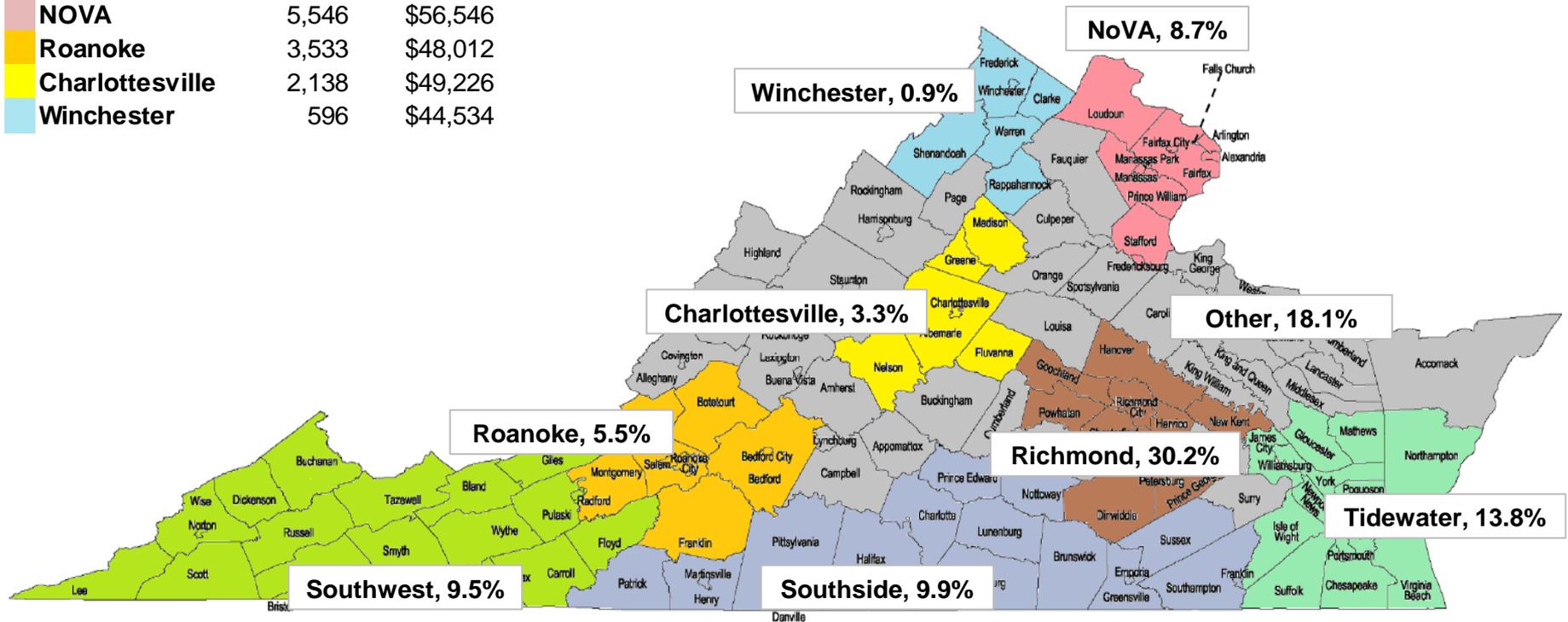
Source: SFC staff analysis of Virginia Department of Human Resource Management data, Monthly FTE Reports for June 30, 2016, retrieved 10/5/2016.



# While Many Employees Work In the Seat of Government, the Majority Are Spread Throughout the Commonwealth

		<u>Avg. Salary</u>
	Richmond	19,341    \$55,858
	Other	11,597    \$43,646
	Tidewater	8,853    \$43,511
	Southside	6,367    \$39,512
	Southwest	6,050    \$40,939
	NOVA	5,546    \$56,546
	Roanoke	3,533    \$48,012
	Charlottesville	2,138    \$49,226
	Winchester	596    \$44,534

- Nearly 1/3 of employees work in the Richmond region.

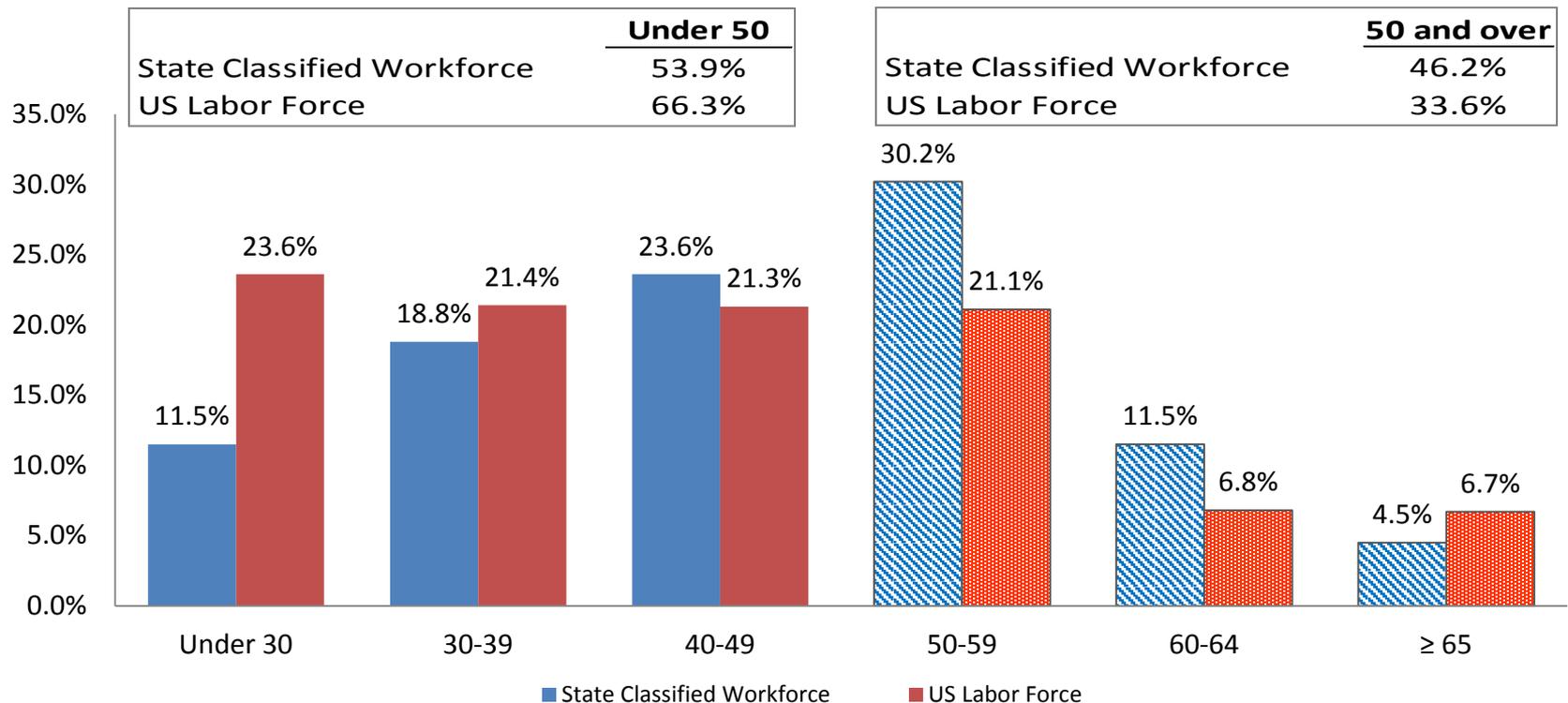


Source: SFC staff analysis of Virginia Department of Human Resource Management data, Statewide classified workforce salary data by region.



# The State Workforce is Considerably Older than the US Labor Force

- The US at-large tends to employ more millennials, while the state employs many more individuals aged 50-59 within the “baby-boomer” generational group.



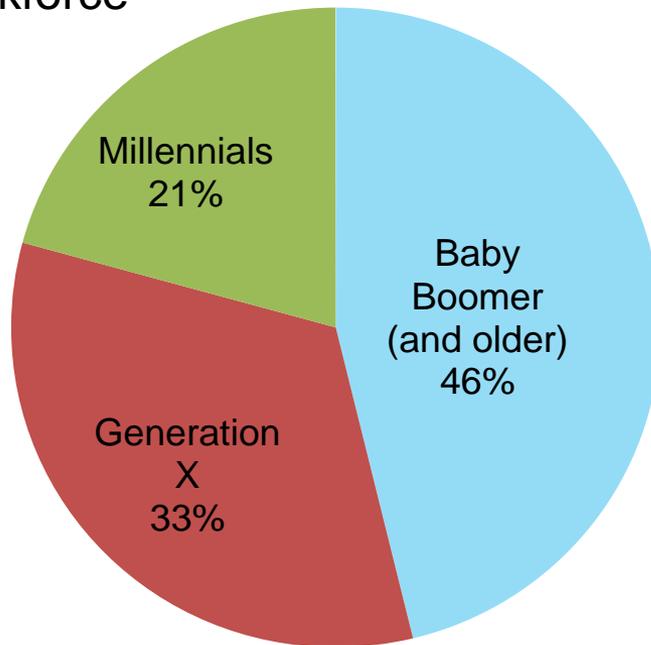
Source: Bureau of Labor Statistics, *Employment status of the civilian non-institutional population by age, sex and race, 2015*; SFC staff analysis of Virginia Department of Human Resource Management, *Workforce Planning Reports (FY 2016)*.



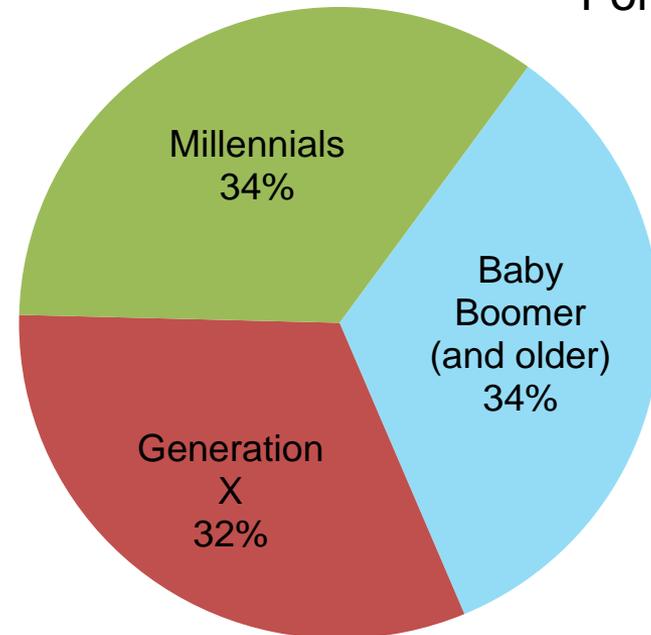
# US and State Workforces by Generational Cohort

Generation	Born	Age Range (2016)	
Baby Boomer	1946-1964	52	70
Generation X	1965-1980	36	51
Millennials	After 1980	35	and younger

VA State  
Classified  
Workforce



US Labor  
Force

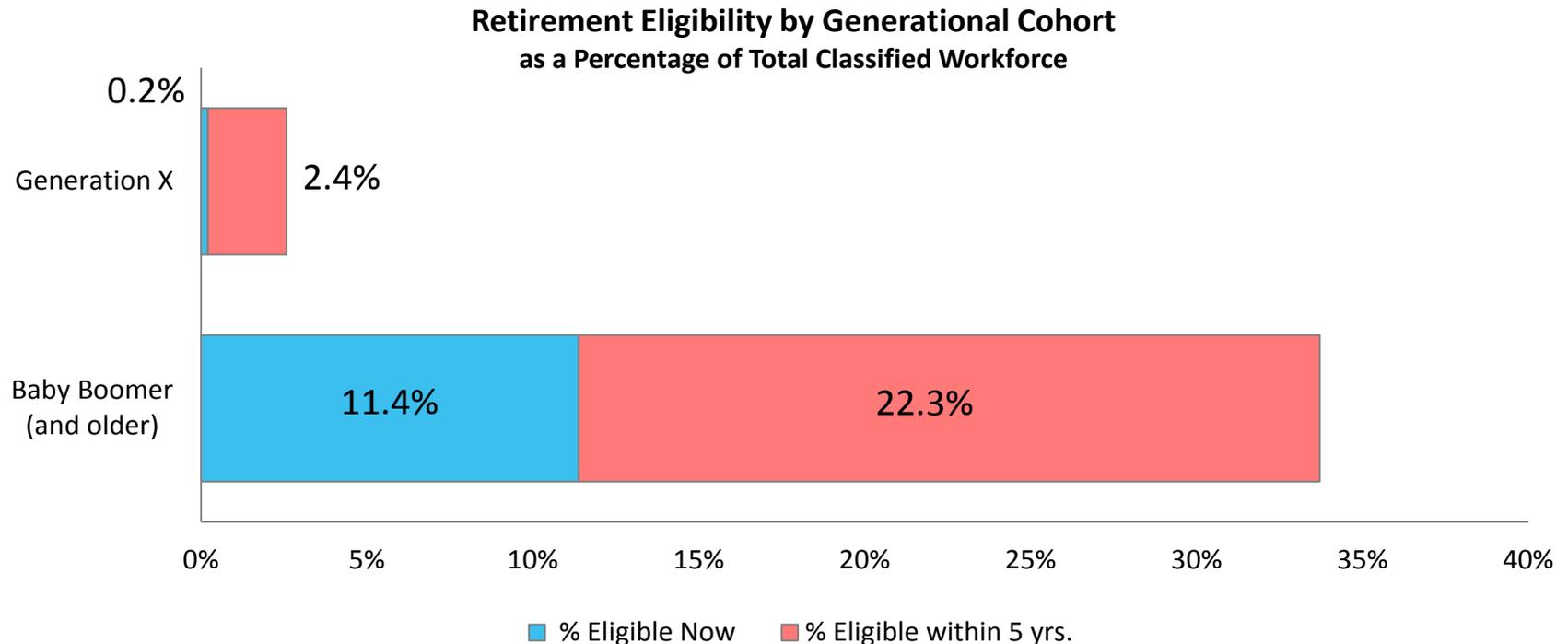


Source: Bureau of Labor Statistics, *Employment status of the civilian non-institutional population by age, sex and race, 2015*; Virginia Department of Human Resource Management, *Workforce Planning Reports (FY 2016)*.



# Nearly 25% of State Workforce Eligible for Retirement Within Five Years

- 24.7% of State classified workforce is eligible for retirement within five years.
- Baby Boomers (and older), as a cohort, represent about 94% of those currently eligible to retire, and 88% of those eligible within 5 years.



Source: Staff analysis of data from Virginia Department of Human Resource Management, Retirement eligibility by age (as of July 1, 2016).



# Impact to Agencies Due to Retirements Will Vary

- Agencies are susceptible to significant loss of institutional knowledge in the next several years.
- Succession planning must occur to ensure the transfer of this knowledge to the next generation.

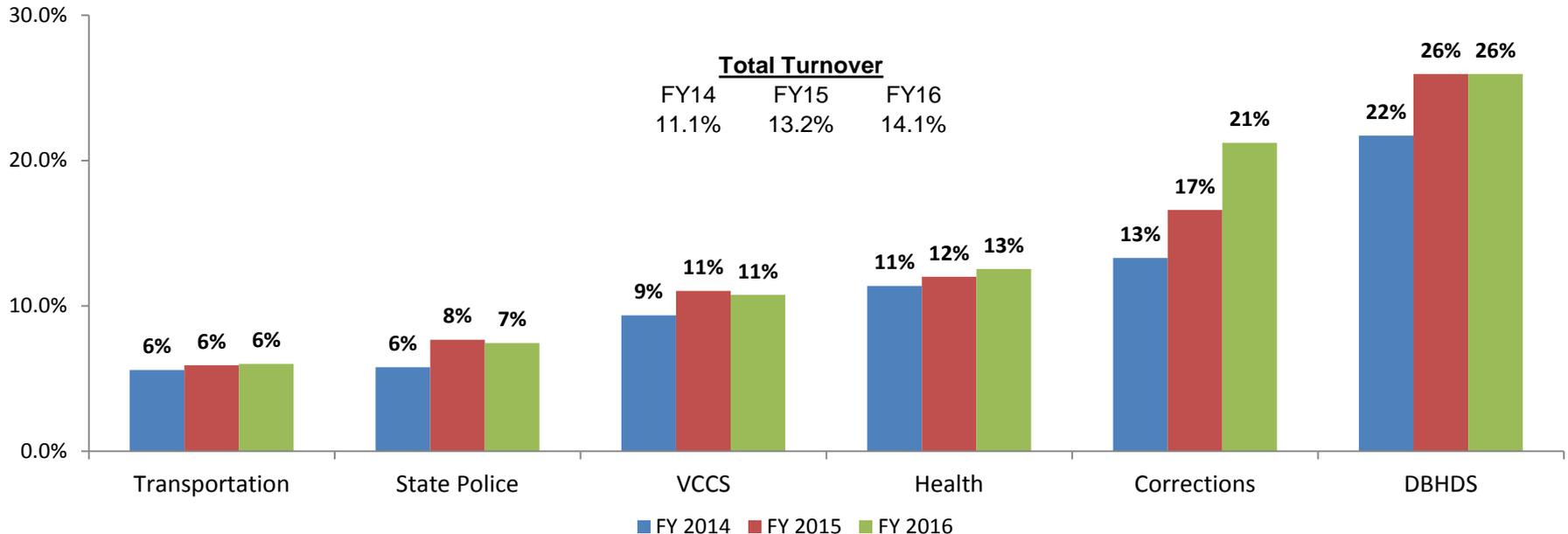
Parent Agency	Total # of Employees	Eligible in 5 Years or Less
Dept Mines Minerals & Energy	189	45.0%
Virginia Employment Commission	673	37.3%
Dept of Labor and Industry	145	36.6%
Dept of Game and Inland Fisheries	400	32.5%
Dept of Accounts	146	32.2%
Dept of Transportation	7330	31.8%
Dept of Taxation	824	30.9%
Dept of Agri & Cons Services	438	30.6%
Dept of Environmental Quality	772	29.9%
Dept of the Treasury	107	29.9%
Va Information Technologies	195	29.7%
Dept of State Police	2690	29.0%
Dept of Planning and Budget	45	28.9%
Dept of Social Services	1638	28.7%
Dept of Human Resource Mgmt	96	27.1%
Dept of Health	3244	27.0%
Dept of Motor Vehicles	1863	26.9%
Dept of General Services	586	25.9%

Source: SFC staff analysis of Virginia Department of Human Resources, Retirement eligibility by parent agency data (FY 2016).



# A Few Agencies Constitute a Large Share of Statewide Turnover

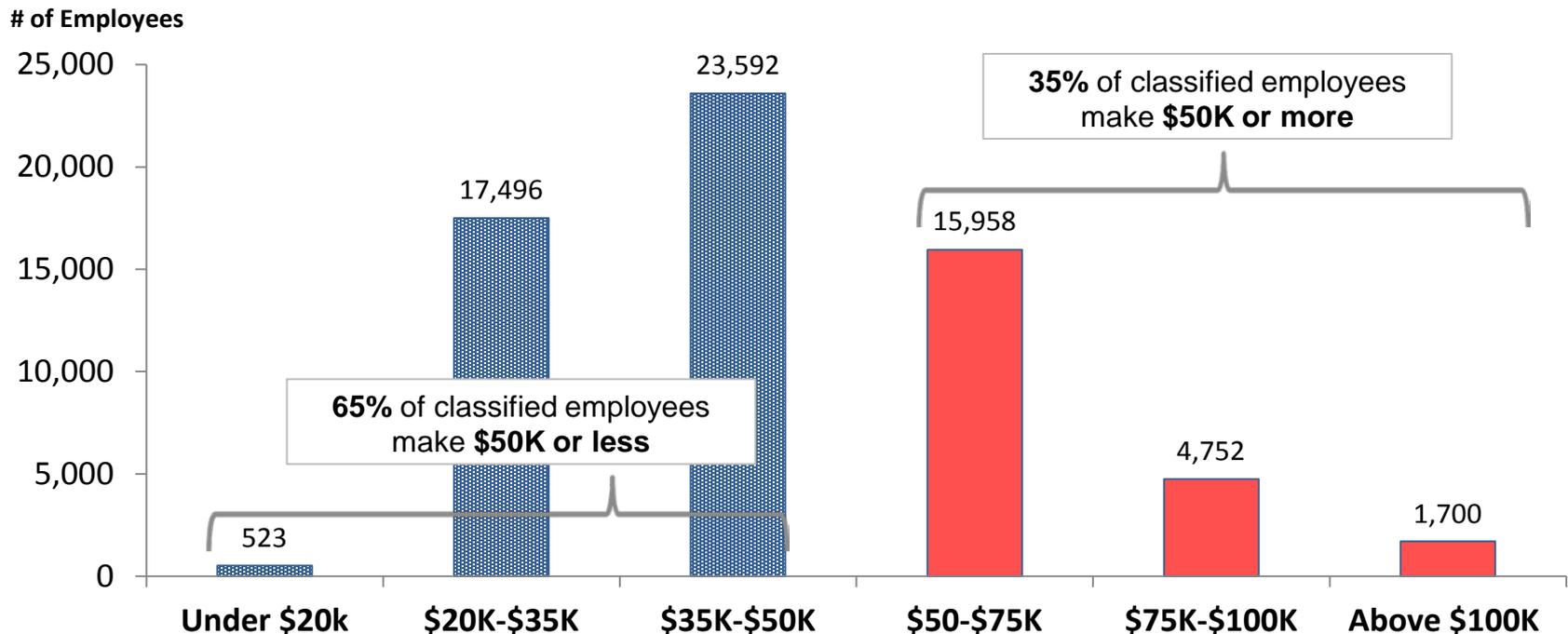
- Combined, the Department of Corrections and the Department of Behavioral Health and Developmental Services constitute nearly 30% of the state classified workforce, yet represented 48% of total turnover in FY 2016.
- The issue of high turnover jobs was partially addressed in 2015.
  - A 2% additional base salary adjustment was provided to certain higher turnover positions, such as correctional officers and registered nurses, based on a compensation workgroup study established by the General Assembly.



Source: SFC staff analysis of Virginia Department of Human Resources, turnover by parent agency data (fiscal years 2014-2016).

# 65 Percent of the State Workforce Makes \$50K or Less

- 65% of all classified employees make \$50K or less, while 28% earn less than \$35K.
- At the higher end of the pay spectrum, 35% of employees make \$50K or more, though nearly 2/3 of those employees are in the \$50-\$75K range.

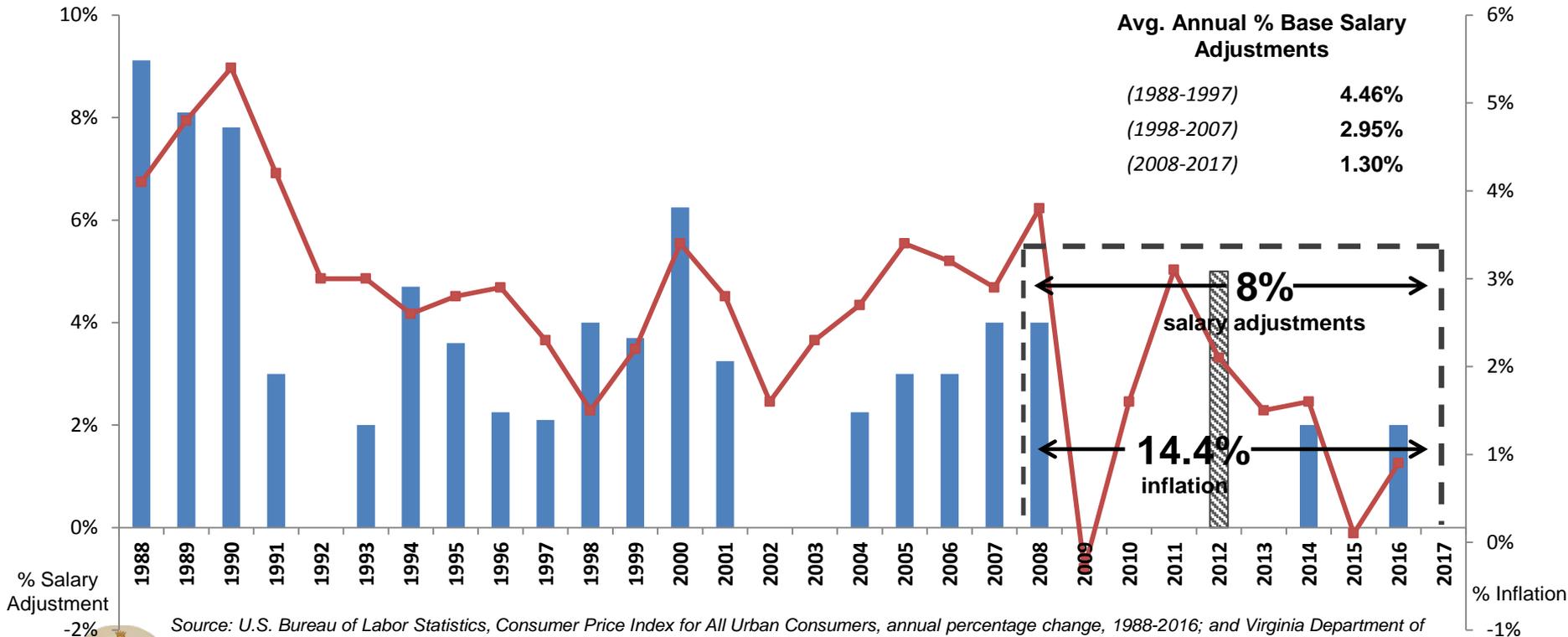


Source: SFC staff analysis of data from Virginia Department of Human Resources Management, State classified salaries by role (as of June 30, 2016).



# Base Salary Adjustments Have Not Kept Up With Inflation

- State employee base salary adjustments have totaled 8% since 2008, adjusting for the “5 for 5” in 2012, while inflation over this same time period has totaled 14.4%.
- Average base salary adjustments have trended downward for the past 30 years.



Source: U.S. Bureau of Labor Statistics, Consumer Price Index for All Urban Consumers, annual percentage change, 1988-2016; and Virginia Department of Human Resource Management, historical salary data (FY1988 – FY2017)



# Objective Was to Establish Salary Parity with Market by 2010

- One of the primary objectives of 2000 Compensation Reform was to establish salary parity with the market by 2010.
- Given continued growth in private sector wages, the average total salary disparity is estimated at 24.8 percent below market.
- However, there is variability in the size of the market deviation by occupational category.

Occupation	Private Industry Average Salary	Average Virginia Employee Salary	Deviation
Attorney	\$ 145,224	\$ 80,138	-81.20%
Environmental Engineer	108,012	67,748	-59.40%
Marketing Specialist	84,355	54,018	-56.20%
Generic Engineer Supv	160,631	110,279	-45.70%
Accountant	83,604	60,405	-38.40%
Internal Auditor	83,604	60,405	-38.40%
Systems Analysis Supv	104,677	78,061	-34.10%
Chemist	89,957	67,145	-34.00%
Employee Training Specialist	74,073	58,297	-27.10%
Truck Driver, Light	29,449	23,639	-24.60%
HR Admin Supv	133,300	107,287	-24.20%
Laboratory Aide	52,810	43,330	-21.90%
Data Base Administrator	96,713	83,431	-15.90%
Security Guard, Unarmed	33,823	29,725	-13.80%
Maintenance Electrician	50,575	46,155	-9.60%
Yard Laborer/Janitorial Supv	32,758	30,519	-7.30%
Staff RN	67,698	64,009	-5.80%
Cook	26,865	25,581	-5.00%
Physical Therapist	90,254	88,323	-2.20%
Architect	87,924	86,412	-1.80%
Medical Lab Tech	58,824	58,037	-1.40%
Mail Clerk	28,761	28,582	-0.60%
Secretary	36,417	37,171	2.00%
Social Worker (MSW)	47,716	52,221	8.60%
Cashier	26,304	28,821	8.70%
<b>Average</b>			<b>-21.20%</b>

Source: Virginia Department of Human Resources Management, Presentation to the Commission on Employee Retirement Security and Pension Reform, Workforce Working Group, 10/20/2016.



# A Small Percentage of the Workforce Receives In-Band Adjustments

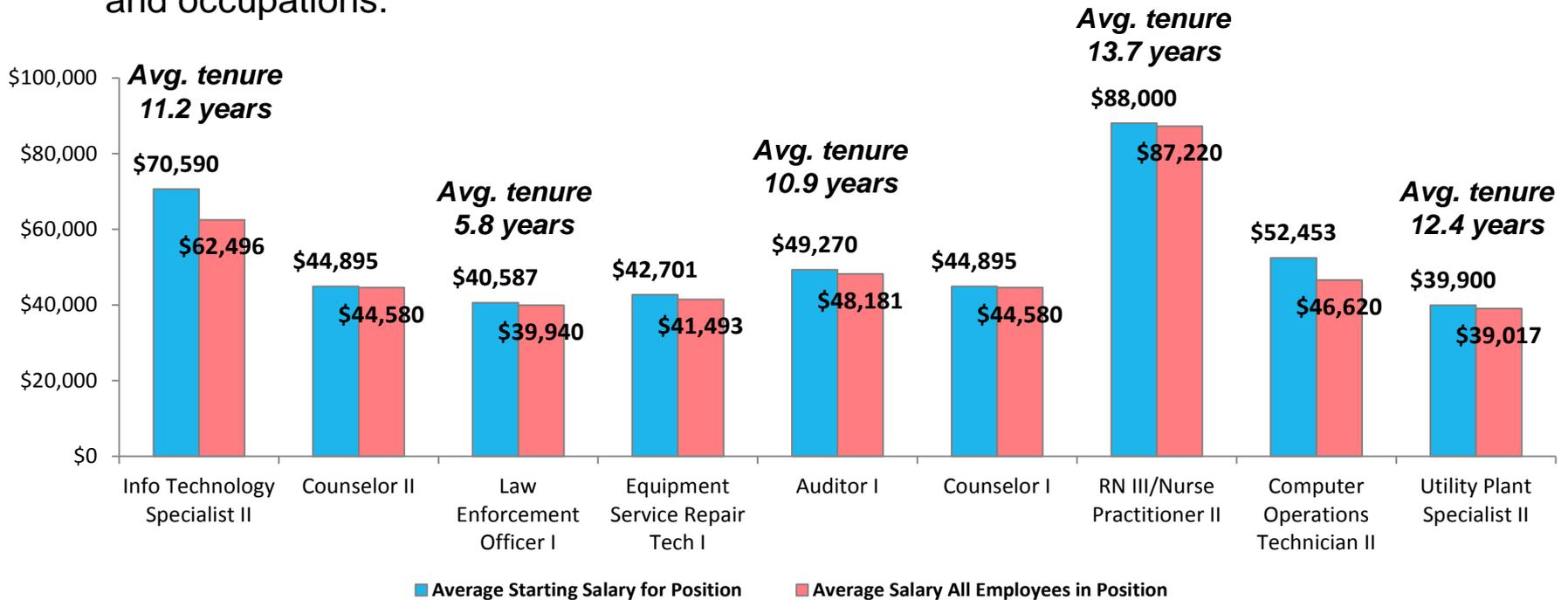
- Agencies have the ability to provide in-band base pay adjustments to select employees.
- Roughly 10% of the workforce (FY 2016) receives in-band adjustments for a variety of reasons.
- Three broad categories of agency-driven pay adjustments exist:
  - **Base Pay** (including, but not limited to)
    - Promotion
    - Role change
    - Competitive transfer
  - **Bonus Pay**
    - In-band bonuses for employee recognition (extraordinary contribution)
    - Retention bonus
  - **Exceptional Recruitment & Retention Options**
    - Sign-on bonus
    - Retention salary adjustment
    - Retention salary bonus

*Source: Virginia Department of Human Resources Management, Presentation to the Commission on Employee Retirement Security and Pension Reform, workforce working group, 10/20/2016.*



# Long Term Wage Stagnation Exacerbates Salary Compression

- As base salary growth for existing employees has stagnated, those hired externally to fill vacancies may be hired at a higher salary than long-tenured employees in a similar position.
- Specific impact in Public Safety, Healthcare and Information Technology.
- Can contribute to low morale and compound turnover/retention issues in key agencies and occupations.

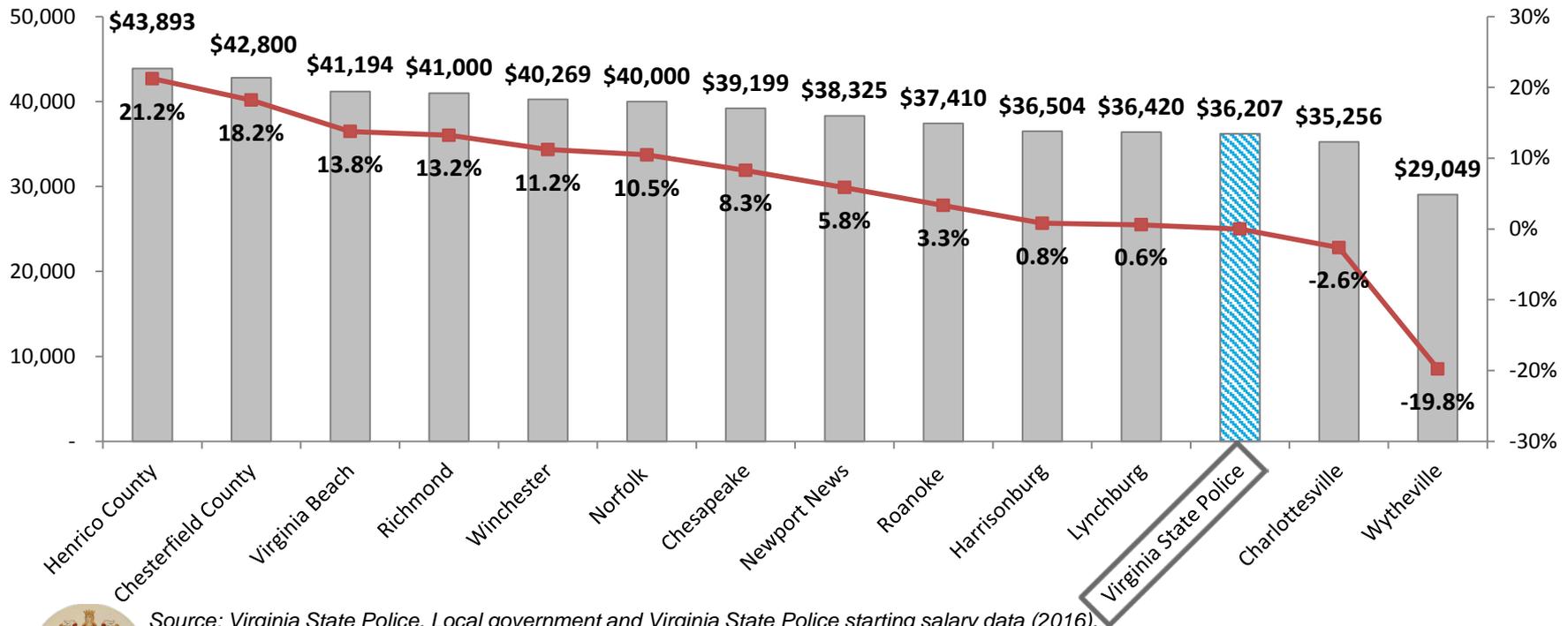


Source: SFC analysis from the Virginia Department of Human Resource Management, Average starting salary data by role code, and for all employees by role code, fiscal year-to-date (as of September 30, 2016).



# Salary and Other Variables May Impact Critical Areas

- For Virginia State Police, a combination of lower relative pay and stringent applicant requirements has made recruitment, retention and morale a major issue.
- While funding to begin to address compression has been provided, the issue persists.



Source: Virginia State Police, Local government and Virginia State Police starting salary data (2016).



# Recent Compensation Initiatives Canceled Due to the Revenue Shortfall

- The base salary adjustments included in the 2016 Appropriation Act included a 3% raise for state employees and a 2% raise for state-supported locals and teachers, effective December 1, 2016 (FY17).
- In addition, targeted pay initiatives addressed compression and low pay among specific agencies and job types.
- All initiatives were tied to revenues, and the FY17 actions were subsequently canceled due to the FY16 revenue shortfall.

Compensation Initiatives 2016-18 Biennium			
(GF in \$ Millions)			
	FY 17	FY 18	Biennium
3% Raise (State/Faculty)	\$57.4	\$98.4	\$155.9
2% Raise (State Supp. Locals)	\$9.4	\$18.7	\$28.0
2% Raise (Teachers)	\$49.0	\$85.5	\$134.4
<b>Total Base Salary Adjustments</b>	<b>\$115.8</b>	<b>\$202.6</b>	<b>\$318.4</b>
State Police Compression	\$2.3	\$4.0	\$6.3
District Court Clerks	\$1.6	\$2.5	\$4.1
Career Development	\$1.7	\$3.5	\$5.2
Sheriffs Salary Compression	\$3.6	\$8.7	\$12.4
<b>Total Targeted Salary Adjustments</b>	<b>\$9.3</b>	<b>\$18.7</b>	<b>\$28.0</b>
<b>Total Compensation Initiatives</b>	<b>\$125.0</b>	<b>\$221.3</b>	<b>\$346.3</b>

Annual GF Cost of 1.0 Percent Pay Actions		
(\$ Millions)		
	Base Salary Adj. (ongoing)	Bonus (one-time)
State Employees	\$23.5	\$19.9
Faculty	\$9.3	\$8.2
State -Supported Local Employees	\$9.3	\$9.2
Teachers	\$42.7	\$37.2
<b>Total GF Cost</b>	<b>\$84.8</b>	<b>\$74.5</b>



# Review of Employee Total Compensation

- The 2008 JLARC total compensation study found Virginia's base salaries to be "marginally competitive".
  - While cash compensation was 88% of the market median, total fringe benefits were 108% of the median, resulting in total compensation that was 96% of the market median.
- A 2011 JLARC study revealed that total compensation relative to the market median had fallen to 94% and 90%, for VRS Plan 1 and VRS Plan 2 members, respectively.
- An updated, thorough review of total compensation by JLARC was recommended by the Commission on Employee Retirement Security and Pension Reform, Compensation Working Group.
  - Given the introduction of the hybrid plan, and lack of salary increases relative to the market, total compensation compared to the market median may have fallen.

*Source: Virginia Joint Legislative Audit and Review Commission, Report of State Employee Compensation, 2008; Review of Retirement Benefits for State and Local Government Employees.*



# Policy Issues for Consideration

- **Compensation, Recruitment and Retention**

- Define philosophical approach to employee compensation (salary/benefits) and create uniform policy and concrete objectives consistent with this philosophy.
  - Prioritize employee compensation, perhaps with defined budgetary mechanism.
  - Consider more like a fixed cost, rather than discretionary.
- Continue to evaluate the Commonwealth's total compensation proposition to existing and prospective employees and whether it matches employee preferences to attract, retain and motivate the workforce.

- **Workforce**

- How does the state address the loss of institutional knowledge?
  - Recruit, retain and train – mentorship opportunities with highly experienced, longer-tenured employees.
  - Position high contributing employees for growth and leadership ascension.
- Given the economic and fiscal environment, evaluate how to strategically invest in maximizing worker motivation and productivity.
- Would likely require a mix of investments in compensation, employee training, development and technology.



# Update on Virginia's Retirement System

- Key reforms to Virginia's retirement system in recent years have addressed both the benefits structure and funding, including:
  - Implementation of a Hybrid Plan for new employees hired on or after January 1, 2014.
  - Acceleration of payment of phase-in to full actuarial rates.
    - In the 2015 and 2016 budgets, an additional \$366 million was allocated to advance the 2010 ten-year repayments and \$81 million to advance the 2012 six-year phase-in to full rates.
    - In addition, the Senate Finance Committee has resisted passing new legislation that adds to the unfunded liability.
  - Use of a more conservative assumed long-term return rate (7 percent).
  - The VRS Board adopted a “closed” 30-year amortization period (rather than “rolling”) for the “legacy” unfunded liability as of June 30, 2013.
    - 20-year closed period for new annual experience gains/losses.



# In Place 2½ Years, the Hybrid Plan Accounts for Over 14% of VRS Active Membership

	Plan 1	Plan 2	Hybrid	Total
Teachers	88,904	37,057	20,893	146,854
Political Subdivisions	57,197	32,402	16,055	105,654
State Employees	46,201	19,032	12,418	77,651
State Police Officers	1,400	547		1,947
Virginia Law Officers	4,502	4,645		9,147
Judicial	<u>267</u>	<u>69</u>	<u>82</u>	<u>418</u>
<b>Total Active Members</b>	<b>198,471</b>	<b>93,752</b>	<b>49,448</b>	<b>341,671</b>
			<b>14.4%</b>	
<b>Retirees/Beneficiaries</b>				<b>192,065</b>
Inactive/Deferred Members				<u>144,181</u>
VRS Total Population				677,917
As of June 30, 2016				

Note: Plan 2 benefits reflect 1.65% multiplier (for years on or after 2013), "Rule of 90" normal retirement age, 5-year AFC, max. 3% COLA.



# Basics of the Hybrid Benefits

*Estimated to Reduce Employer Costs \$200M Annually By FY2034*

## Defined Benefit (DB) retirement “Backbone”.

- Provides a **guaranteed** retirement benefit.
- 1% multiplier = 30% of Average Final Compensation (AFC) after 30 years.
- 4% employee contribution, with remainder contributed by the employer.

## Defined Contribution (DC) component.

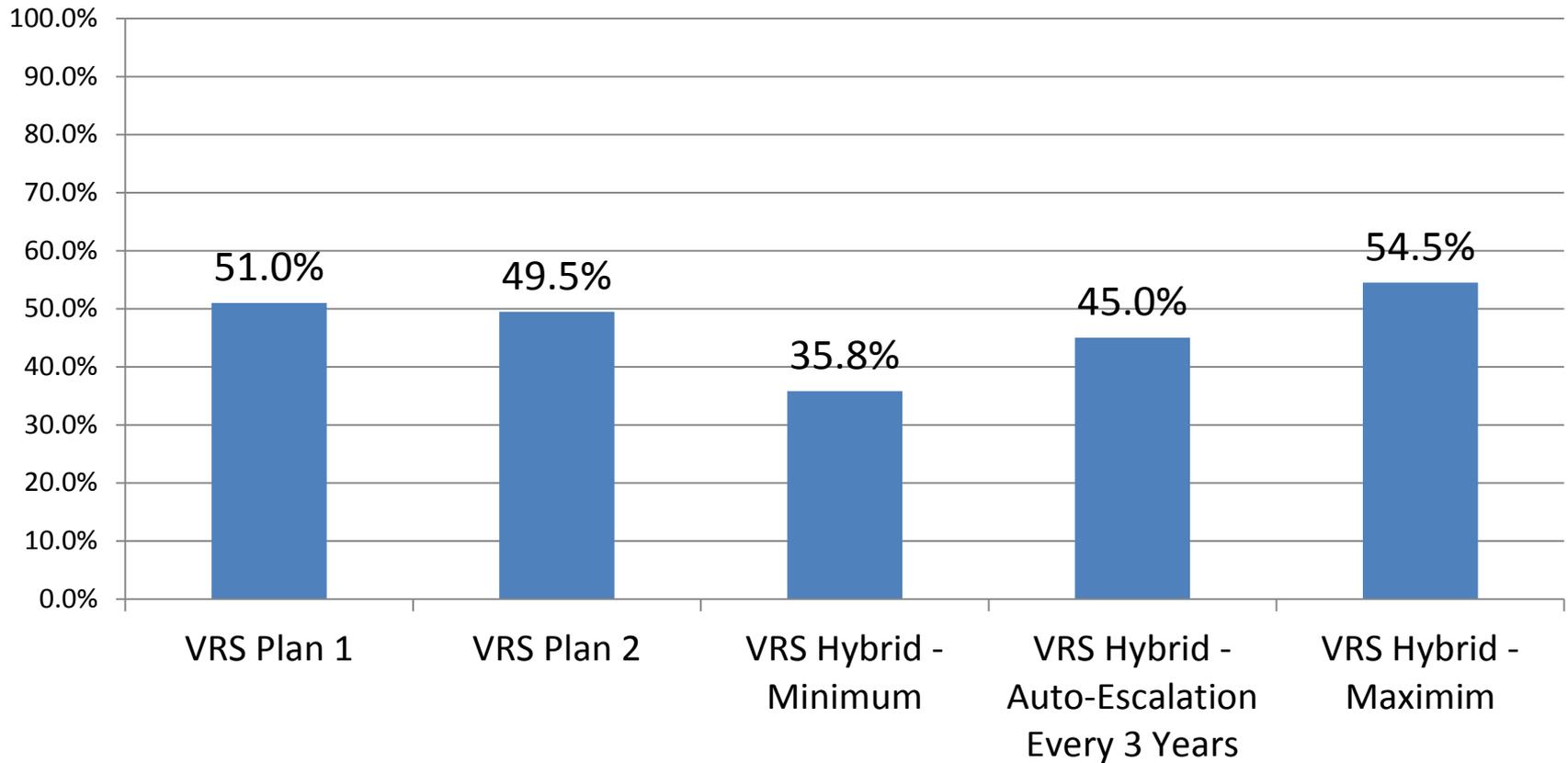
- **Employee:** Mandatory contribution of 1%, with up to 4% more voluntary.  
(Maximum = 1% + 4% = 5%).
- **Employer:** Match of 100% up to 2%, and 50% of the next 3%, up to a total of 2.5%.  
(Maximum = 1% + 1% + 1.5% = 3.5%).
- Auto-escalation (first three-year cycle: January 1, 2017), with employee opt-out.
- Multiple VRS-sponsored investment options.



# Hybrid Plan Can Achieve Similar Income Replacement with Voluntary Employee Contributions

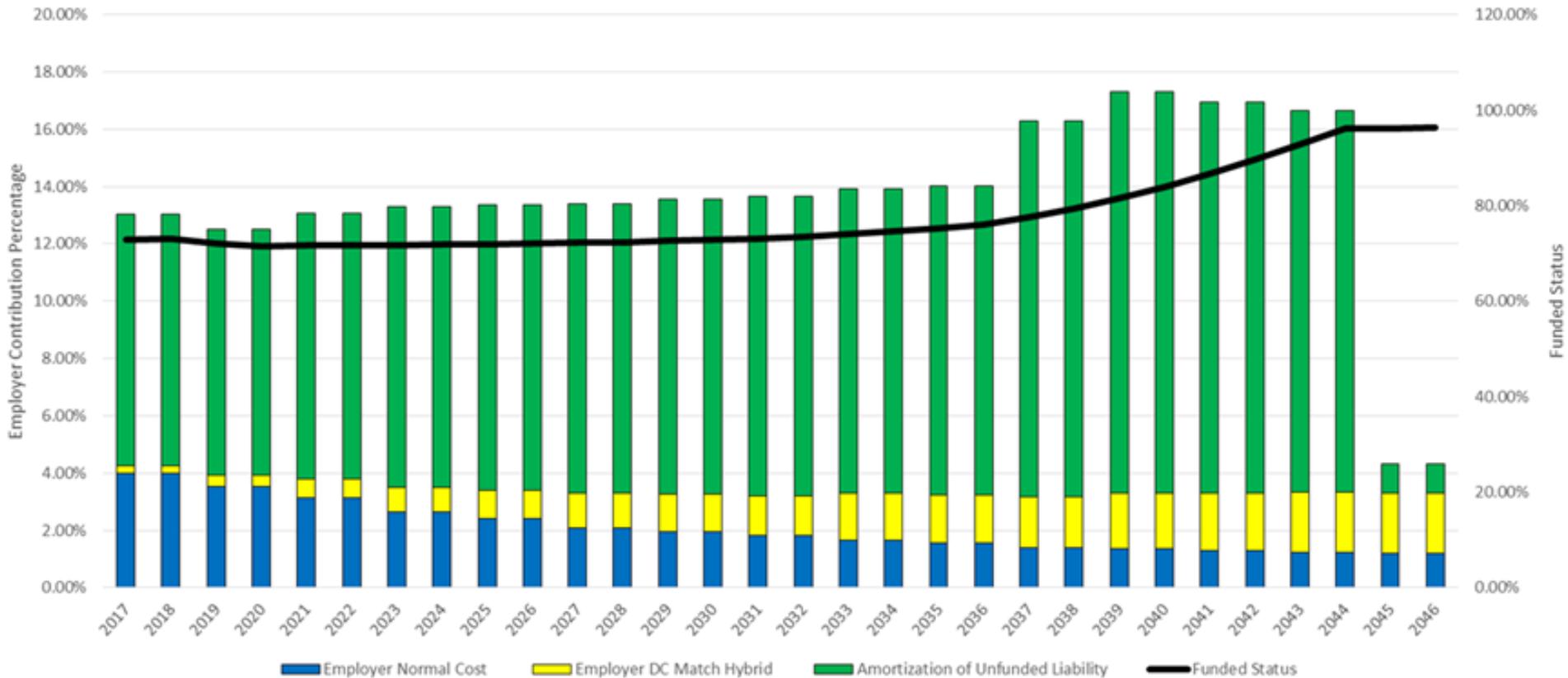
## Approx. Income Replacement

Based on 30 Years of Service Hired at Age 35 and Retire at Age 65



# How It Comes Together Over Time: Hybrid Plan Reduces Costs, and Consistent Full Payments Address Unfunded Liability

VRS State Retirement Plan  
Estimated Employer Contribution Rates and Funded Status



Note: Total contribution rates reflect both "normal cost" (i.e. new costs based on current year) and "amortization" (i.e. installment payments over a period of time) of the unfunded liability.



# Balancing Retirement Security AND Fiscal Sustainability Goals Remains a Challenge

- Despite implementation of these reforms, some challenging long-term issues continue to be discussed, including:
  - **Fairness of the Hybrid Plan.** Concerns remain among some about the Hybrid Plan since it requires more employee contribution to reach similar income replacement levels. Increasing the auto-escalation schedule or higher employer contribution to the DB component would help, but have costs associated.
  - **Stress Testing Investment Returns.** Pew Charitable Trusts, a frequent presenter to the new five-year Commission on Employee Retirement Security & Pension Reform (2016-2021), has acknowledged Virginia's positive efforts in addressing its pension liability. However, Pew has raised concern nationally about discount rate risk going forward.
  - **Optional DC?** Some have expressed interest in considering adding another retirement plan to VRS. A DC-only plan would likely have higher employer contribution costs than the Hybrid. In addition, different plan designs place different levels of risk (investment, inflation, longevity/disability, market timing) on the employer and on the employee, so impacts on workforce recruitment and retention should be considered.
- In light of the revenue/budget outlook, the immediate challenge for the 2017 Session is balancing the competing priorities of compensation for all employee groups, requests for more employer contribution to retirement (for Hybrid Plan members), and addressing the unfunded liability.



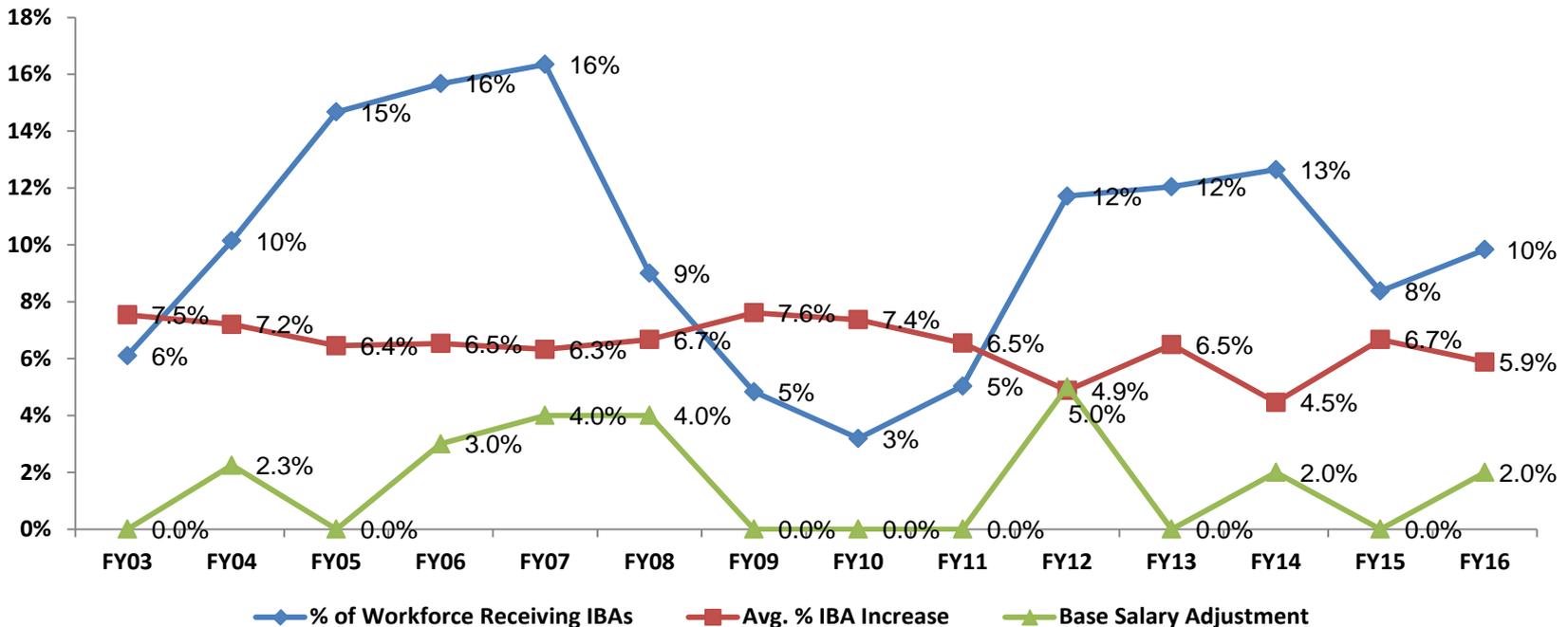
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# Appendix



# A Small Percentage of the Workforce Receives In-Band Adjustments

- Agencies have the ability to provide in-band base pay adjustments to select employees for a variety of reasons.
- These are used not necessarily in-lieu of base pay increases, but more frequently have been used to complement statewide base pay increases.



Source: SFC staff analysis of data from Virginia Department of Human Resources Management, Statewide averages of in-band salary adjustments; and base salary adjustments (FY2003 – FY2016).



# Overview of Workforce Demographics

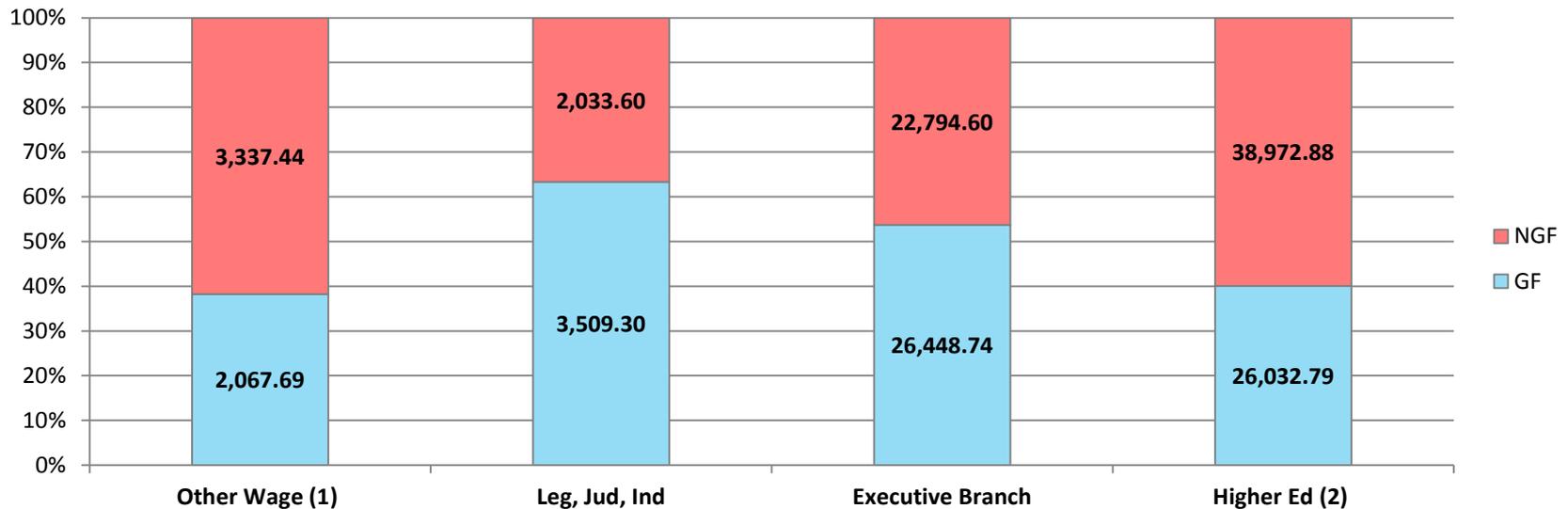
Measure	FY 16	FY 15	FY 14	FY 14-16	Industry Data Source
	State	State	State	Industry	
Average Employee Age	46.6 years	47 years	47 years	42.4 years	BLS – National Average All Occupations All Industries
Average Tenure Rate	11.8 years	12 years	12 years	7.8 Years	BLS – Public Employers Industry Norm
Average Salary	\$48,203	\$46,327	\$46,041	\$48,384	US Census Bureau - Current Population Survey
Turnover Rate	14.10%	13.15%	11.10%	6-10%	World@Work Benchmark All industries
Percentage Eligible to Retire	11.70%	12.10%	11.60%	13%	US Census Social Security Benchmark of 65
Average Age at Retirement	62.1 years	62.5 years	61.5 years	62 years	BLS – Gallup Report All Industries
Time to Fill Vacancies	72 days	72 days	88 days	25 days	BLS – All Industries
Employment Offer Acceptance Rate	88.80%	88.80%	88.80%	80%	Society for Human Resource Management
Non-Cash Compensation (Benefits)	44.00%	44.50%	48.40%	36%	BLS – Employer Costs – State & Local Government
Eligibility for Flex Work Schedule	~50%	~50%	~50%	27.50%	BLS – Industry Norm Across All Industries
Internal/External Hiring Rate	41.4%/58.6%	32.5%/67.8%	40.3%/59.7%	65%/35%	Pricewaterhouse Coopers LLP

Source: DHRM, State Workforce Succession Trends Report



# Variations Exist in the Distribution of GF vs. NGF Positions

- There is some variation in the number of general funded vs. non-general funded positions throughout State government.
- While the average funding source for all areas is about 48% GF / 52% NGF, different areas and job categories differ significantly from the mean. For example:
  - Higher Ed = 40% GF vs. 60% NGF
  - Legislative, Judicial, Independent = 63% GF, 37% NGF

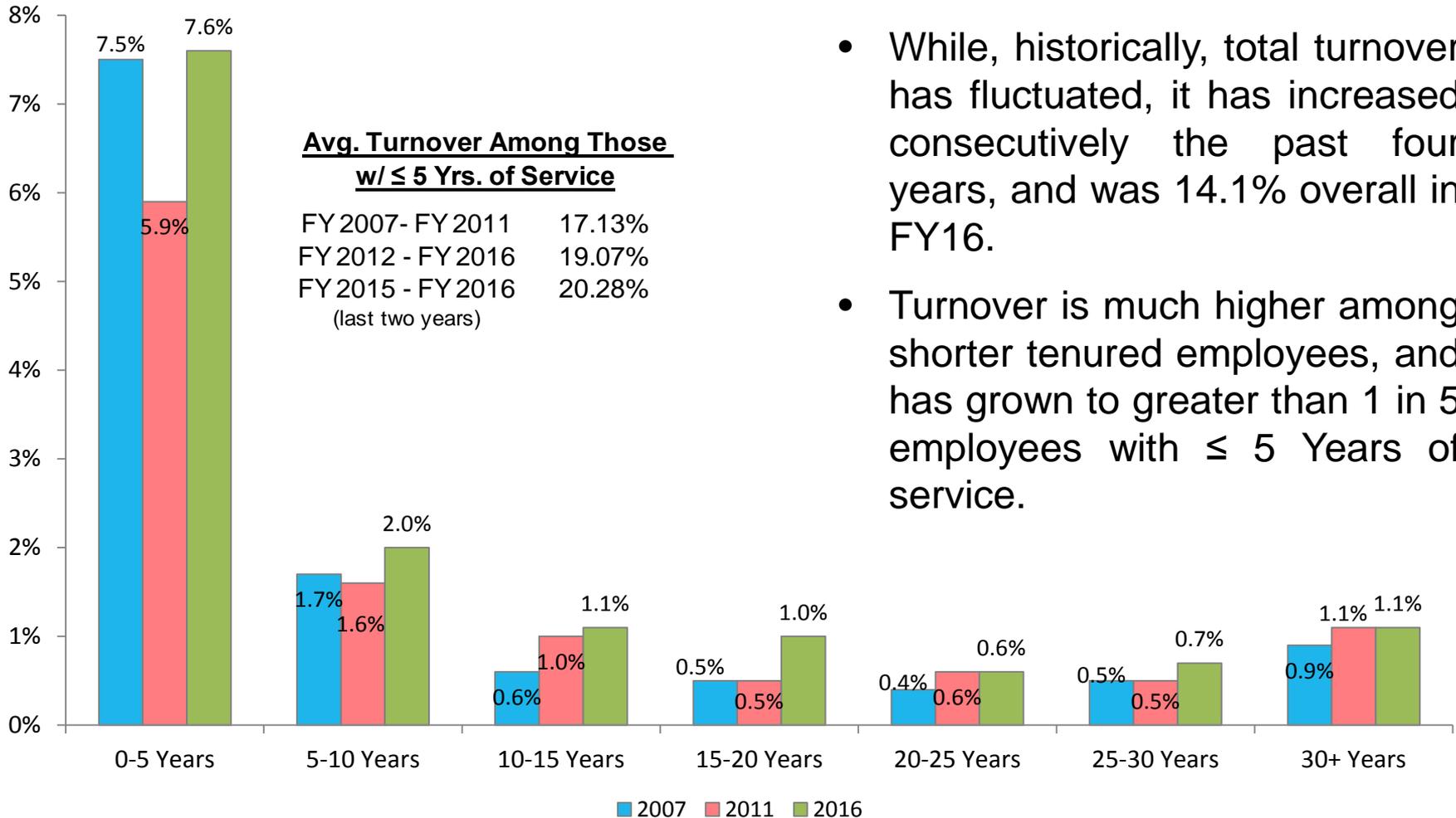


- (1) Other wage positions spread throughout all areas.  
 (2) Higher Ed includes salaried faculty, non-faculty and adjunct positions.

Source: SFC staff analysis of Virginia Department of Human Resource Management data, Monthly FTE Reports for June 30, 2016, retrieved 10/5/2016.



# Turnover Rate by Years of Service (as a % of total turnover for classified service)

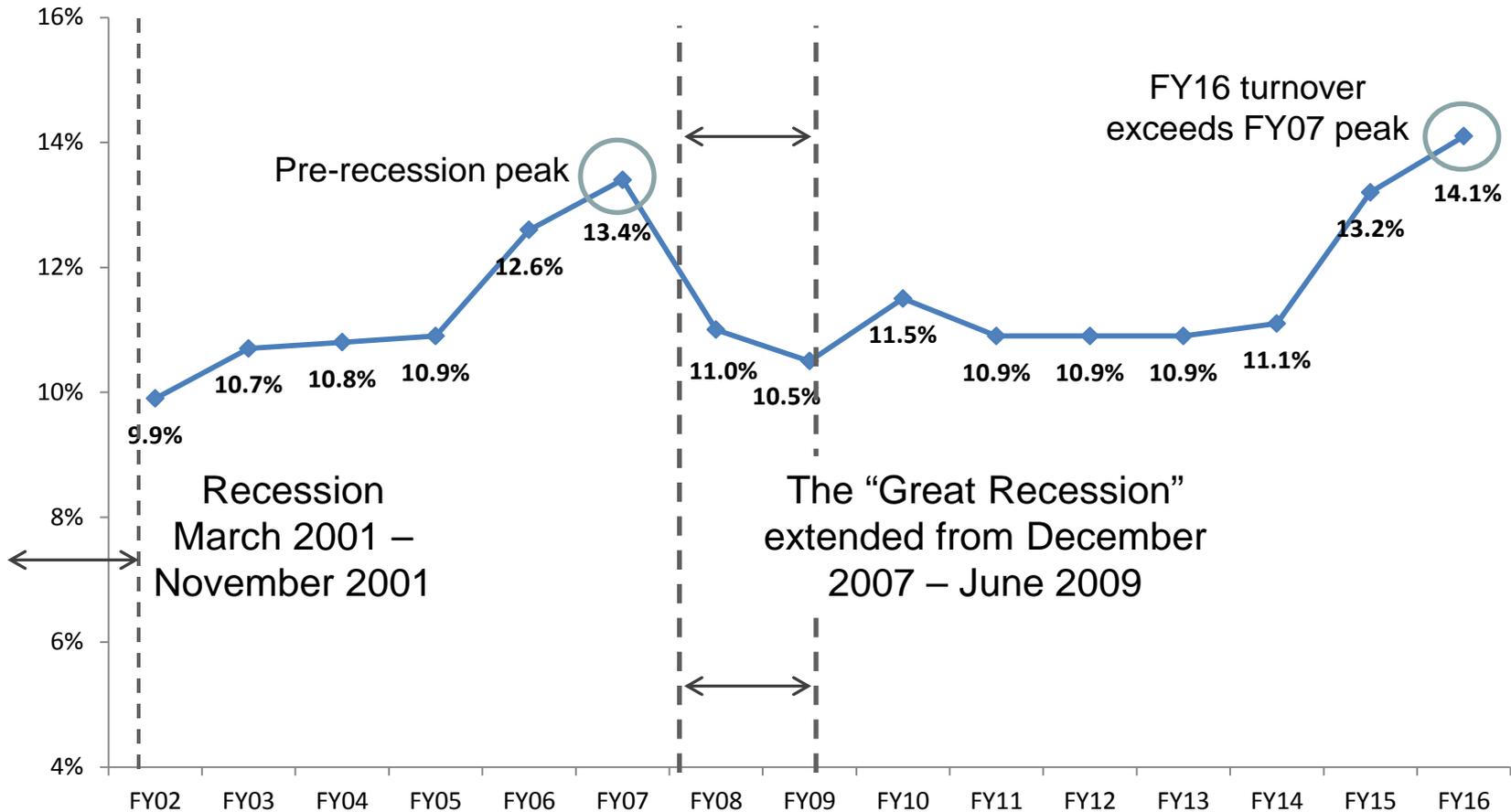


- While, historically, total turnover has fluctuated, it has increased consecutively the past four years, and was 14.1% overall in FY16.
- Turnover is much higher among shorter tenured employees, and has grown to greater than 1 in 5 employees with ≤ 5 Years of service.

Source: Virginia Department of Human Resource Management, Turnover rates by years of service data for fiscal years 2014-2016.



# Turnover is Above Peak Pre-Recession Levels

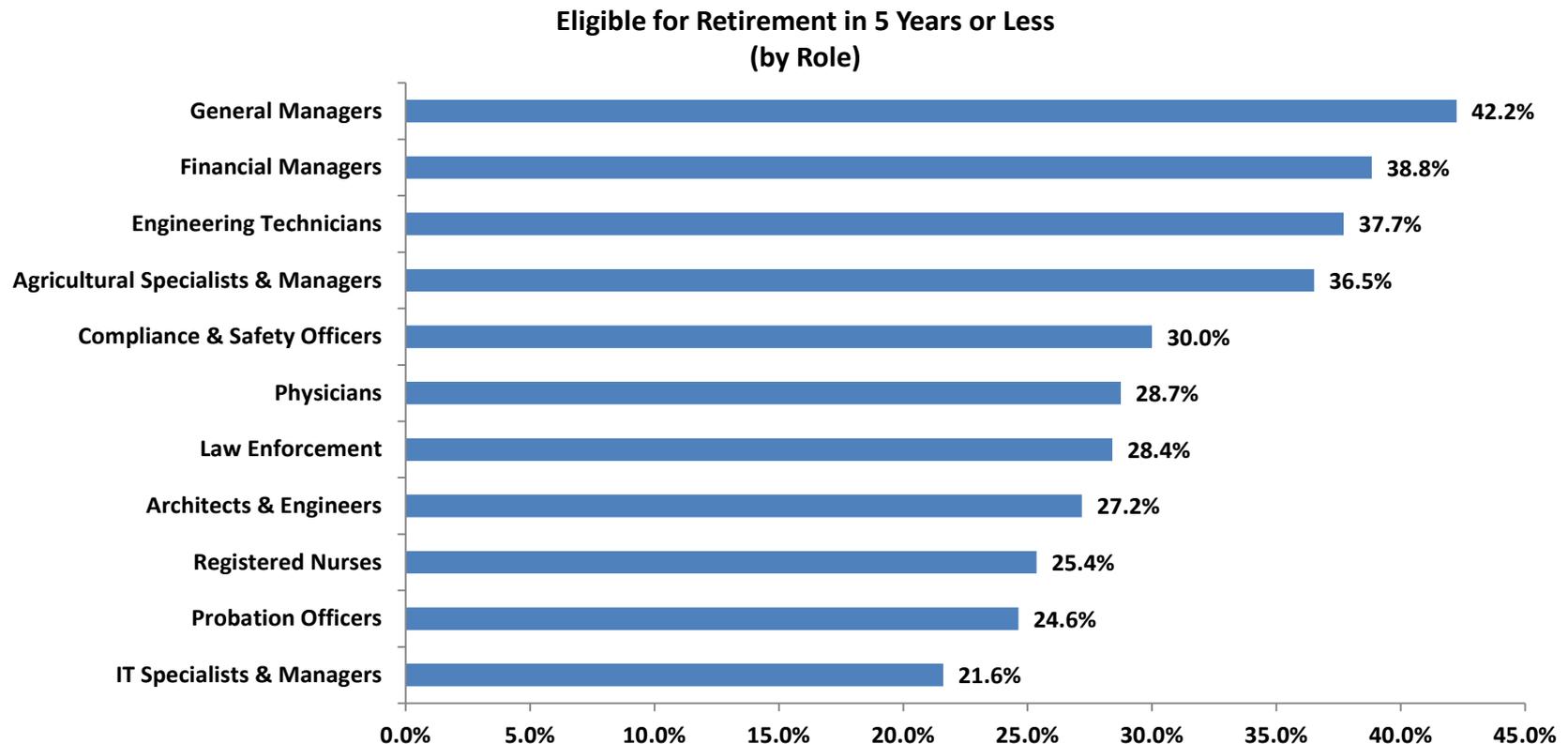


Source: Virginia Department of Human Resource Management, Turnover rates for fiscal years 2002 – 2016).



# High Percentage of Specialized Positions Will Soon Be Eligible for Retirement

- Several types of specialized positions will soon be eligible for retirement.



Source: Virginia Department of Human Resource Management, Retirement eligibility rates for employees by role with 5 or fewer years of service.



# 2000 Commission Recommendations

Implemented?		Compensation Reform 2000 Recommendations
1	Yes	Establish a new pay structure with 9 pay bands which are stepless, replacing the existing 23 pay grades with pay steps
2	Yes	Merge the existing 1,650 classifications into approximately 275 new broader job groupings called "roles"
3	Yes	Support career growth by implementing new job groups called occupational families, career groups and roles
4	Yes	Continue to use the position classification method in determining the minimum and maximum worth of each job in the new plan; Establish new compensable factors, such as complexity of work, results, and accountability, to replace the 7 compensation factors used to determine relative worth of each role
5	Yes	Establish a new salary survey methodology to ensure classified salaries are competitive with appropriate public and private sector markets
6	Yes	Establish a new performance management program with 3 rating levels to replace existing 5 rating levels; Incorporate optional features such as employee upward feedback on supervisor performance, employee-self-assessment, and team/individual supervisory appraisal
7	Yes	Establish new pay practices such as in-range pay adjustments, rewards and recognition programs; Revise existing pay practices such as starting pay, promotion, reallocation and lateral transfer to make system more flexible
8	Yes	Training and Communication of the new plan
9	Yes	DHRM / Agencies Roles and Responsibilities under the new plan
10	<b>No</b>	Funding of the new plan
11	<b>No</b>	Continuation of the Commission

Source: Virginia Department of Human Resources Management, Presentation to the Commission on Employee Retirement Security and Pension Reform, workforce working group, 10/20/2016.



# Overview of Compensation Structure and Methodologies

- As a result of the 2000 Compensation Reform Commission, 23 pay grades and steps were replaced with 9 pay bands, which is the current structure.
- Salary ranges (statewide minimums and maximums, including NoVA pay differential) are adjusted as needed/prescribed.
- The overall compensation objective is to sufficiently attract, retain and motivate the Commonwealth's workforce, while also striving to:
  - Increase organizational flexibility
  - Emphasize career development
  - Foster a flatter organization (less middle management)
  - De-emphasize hierarchy
  - Support changes in job/work design

*Source: Virginia Department of Human Resources Management, Presentation to the Commission on Employee Retirement Security and Pension Reform, workforce working group, 10/20/2016.*



# Pay for Performance

## Pay for Performance

- Annual statewide performance increases set by the General Assembly and the Governor
- A key tenet of the state's performance management philosophy is to administer financial rewards based on distinctions in performance
- Current policy allows each agency to make an election on the distribution of the performance increase
- Agency as a whole, or designated sub-agency
- Performance evaluation formula
- Non-Contributors receive NO increase
- Contributors receive at least 80% of statewide increase
- Extraordinary Contributors receive no more than 250% of statewide increase
- Although it is state policy, it has never been funded and the pay for performance as envisioned by the 2000 Compensation Reform Commission has never been implemented

*Source: Virginia Department of Human Resources Management, Presentation to the Commission on Employee Retirement Security and Pension Reform, workforce working group, 10/20/2016.*



# How To Best Attract and Retain Talent?

- Numbering 53.5 million, Millennials have become the largest share of the US workforce.
  - As Baby Boomers exit the workforce over the next several years, the share of Millennials will continue to grow.
  - Understanding what they want from an employer, and leveraging the inherent strengths of public sector work may be key in attracting and retaining a greater share of highly-qualified talent.
    - Workforce planning needed to evaluate strengths and weaknesses, improve and adapt.
- Based on a 2016 survey of Millennial employees, compensation/benefits were the largest factor when considering where to work (or remain employed).
- However, after removing the compensation component, work/life balance, flexibility, opportunities for advancement and a sense of meaning were the next highest concerns.

*Source: Deloitte, 2016 Deloitte Millennial Survey.*

