



Fairfax County, Virginia

LINES OF BUSINESS

May 2016

EMPLOYEE COMPENSATION

*County Lines of Business (LOBs)
Presentation to the Board of Supervisors*



www.fairfaxcounty.gov/budget/2016-lines-of-business.htm



Presentation Agenda

- Employee Pay
- Retiree Benefits
- Other Employee Benefits

- Employee compensation and retiree benefits are paid from sources across the County, including the General Fund, other funds (i.e. Community Services Board, Sewer Funds), and grants.
- Information included in the presentation focuses on the General Fund only.



Overview

- Combined, employee pay and benefits (not including Retiree Health) are 79% of overall General Fund Direct Expenditures
 - In FY 2007, employee compensation was 74% of Direct Expenditures
- Employee Compensation has grown 3% annually over the past 10 years
- In the General Fund, employee pay is budgeted and paid out of agency budgets, while benefits are budgeted and paid out of a centralized agency (Agency 89)
 - This approach allows the County to centrally manage benefit costs, while, at the same time, not penalizing agencies for costs beyond their control (i.e. health plan migration or increases in coverage)

Employee Compensation & Retiree Health

(In \$millions)

General Fund Adopted Budget	FY 2007	FY 2017	% Annual Increase
Employee Pay	\$671.70	\$808.17	1.9%
Employee Benefits	\$191.12	\$354.85	6.4%
Total Employee Compensation	\$862.82	\$1,163.02	3.0%
Retiree Health	\$12.27	\$16.00	2.7%
Total Employee Compensation & Retiree Health	\$875.09	\$1,179.02	3.0%



LOBs Summary Table

LOB #	LOB Title
309	Retirement Plan Administration
310	Retirement Plan Investment and Financial Management
311	Retirement Plan Benefit Payments
312	Social Security and Medicare
313	Virginia Retirement System
314	Retiree Health
315	Health Insurance and Wellness
316	Dental Insurance
317	Patient Protection and Affordable Care Act Fees
318	Line of Duty
319	Life Insurance
320	Unemployment Compensation
321	Employee Development Initiatives / Tuition Reimbursement
322	Employee Awards



EMPLOYEE PAY



Employee Pay Agenda

- Overview of Funding
- Employee Pay Categories
- Types of Pay Plans
- County's Compensation Plan
 - Market Rate Adjustment
 - Merit/Performance/Longevity Increases
 - Promotions
 - Plan Characteristics
 - Employee Progression through Pay Plans
 - Spread of Employees on Pay Scale
 - Benchmark Class Studies
- Average Base Salaries by Plan



Employee Pay Overview

- Major pay categories include:
 - Regular Salaries
 - Limited-Term Support
 - Shift Differential
 - Extra Compensation
 - Position Turnover
- Over the past 10 years, Employee Pay has grown, on average, 1.9% annually

Employee Pay (In \$millions)

General Fund Adopted Budget	FY 2007	FY 2017	% Annual Increase
Regular Salaries*	\$624.79	\$800.90	2.5%
Limited-Term	\$19.61	\$19.62	0.0%
Shift Differential	\$4.72	\$4.55	(0.4%)
Extra Compensation	\$43.64	\$46.90	0.7%
Position Turnover	(\$21.06)	(\$63.80)	11.7%
Total Employee Pay	\$671.70	\$808.17	1.9%

**Includes Stipends, Awards, Allowances and Leave Payouts*



Regular Salaries and Limited-Term

Regular Salaries

- Includes salaries for merit employees, as well as various stipends, incentive pays, and allowances. Examples include:
 - Advanced Life Support Stipend (Fire & Rescue)
 - ALS Riding Pay (Fire & Rescue)
 - Emergency Services/Mobile Crisis Unit Stipend (CSB)
 - Environmental Incentive (Sheriff)
 - Flight Medic Pay (Police)
 - Language Stipend (Various)
 - Uniform allowance (Police, Sheriff)

Limited-Term Support

- Includes salaries for non-merit benefits eligible and temporary employees (i.e. Lifeguards, Election Workers, Park Instructors)
 - Non-Merit Benefits Eligible employees work at least 1,040 but no more than 1,612 hours
 - Temporary employees are limited to 900 hours or less



Shift Differential

- Shift differential is an additional hourly rate paid based on the shifts worked by the employee
 - Evening shift – all schedules that begin at or after 1pm and before 7:59pm
 - Night shift – all schedules that begin at or after 8pm and before 7:00am
- Most shift differential is paid to uniformed public safety personnel, however other agencies that utilize shift differential include the Community Services Board, Department of Vehicle Services, and Department of Public Works and Environmental Services
- As Fire and Rescue employees are on a 24-hour shift, all uniformed FRD employees working a 24-hour shift receive shift differential
- While shift differential rates are compared to other jurisdictions on a regular basis for competitiveness, shift differential is not included in overall market pay comparisons
- Current shift differential rates are as follows:

Police/Sheriff/Other		Fire and Rescue
Evening Shift	Night Shift	24 Hour Shift
\$0.90/hour	\$1.30/hour	\$0.73/hour



Extra Compensation

- Includes various types of extra pay, including:
 - Callback Pay
 - Court Overtime
 - On Call Pay
 - Scheduled overtime

- Overtime is paid in accordance with the Fair Labor Standards Act (FLSA)

- Most extra compensation provided to uniformed public safety employees
 - 90% of General Fund extra compensation resides in the Public Safety agencies
 - Public Safety agencies use a combination of regular hours and overtime to meet minimum staffing requirements



Position Turnover

- Position turnover is a negative funding amount included in agency budgets that has the overall impact of reducing an agency's personnel budget
- Several years of across-the-board budget reductions included increasing position turnover rates, requiring agencies to keep positions vacant for extended periods.
- Currently, position turnover in the General Fund equates to approximately 8% of an agency's salary budget
 - In FY 2007, budgeted position turnover was 3.4%
- When budget adjustments are made for pay, such as increases for the Market Rate Adjustment, position turnover is also adjusted
 - For example, the FY 2017 MRA had a net General Fund impact of \$15.38 million, including:

• Regular Salaries	\$11.56 million
• Limited-Term Support	\$0.31 million
• Position Turnover	(\$0.94) million
• Extra Pay	\$0.61 million
• Associated Fringe Benefits	\$3.84 million



Living Wage

- The County adopted a living wage for merit employees effective September 15, 2007
 - As part of approval of the *FY 2008 Carryover Review*, the living wage was extended to limited-term employees scheduled to work 1,039 hours or more per year
- The current living wage is \$13.13 per hour
 - FCPS plans to implement a \$13.13 per hour living wage in FY 2017
- Currently, 70 employees are earning the living wage (all limited-term)

- Surrounding jurisdictions are looking to increase their living wage amounts
 - Arlington increased their living wage to \$14.50 per hour as part of the FY 2017 Adopted Budget
 - Alexandria is proposing an increase to \$14.13 per hour as part of their FY 2017 budget (adoption May 5)

- The *FY 2016 Carryover Review* will include a recommendation to increase the County's living wage
 - An increase to \$14.50 would cost an estimated \$350,000

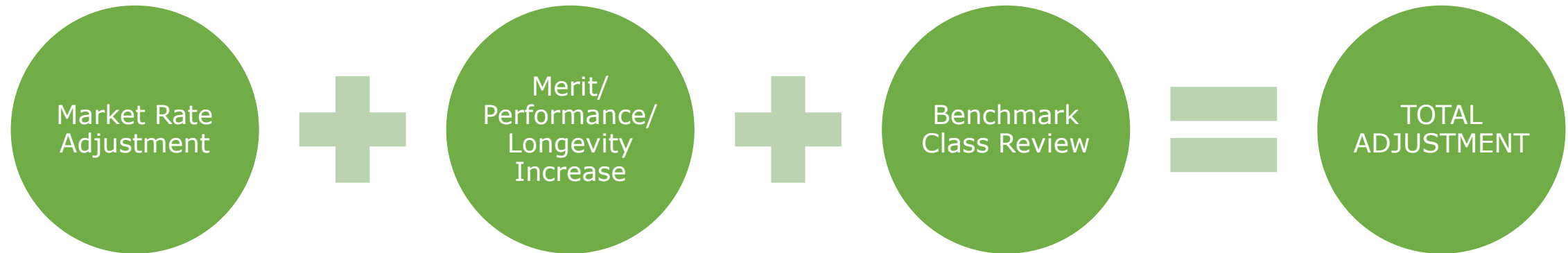


Types of Pay Plans

- Fairfax County has 2 types of compensation structures for merit/performance increases
 - Step/Grade plans for Uniformed Public Safety Employees
 - Plan C – Uniformed Sheriff
 - Plan F – Uniformed Fire and Rescue
 - Plan O – Uniformed Police
 - Plan P – Public Safety Communications and Animal Control Officers
 - Open Range Plans for Non-Uniformed Employees
 - Plan L – Lawyers in County Attorney’s Office
 - Plan S – General County employees
 - Plan E – Executive Service
 - Plan X – Exempt service employees



Components of County's Compensation Plan



- Keeps overall pay structures competitive with market
- Same MRA applied to all County pay plans
- Based on formula approved by Board and employee groups
- Does not impact employee's position on pay scale

- Rewards employees based on solid performance and longevity
- Moves employee salaries up their respective pay scales

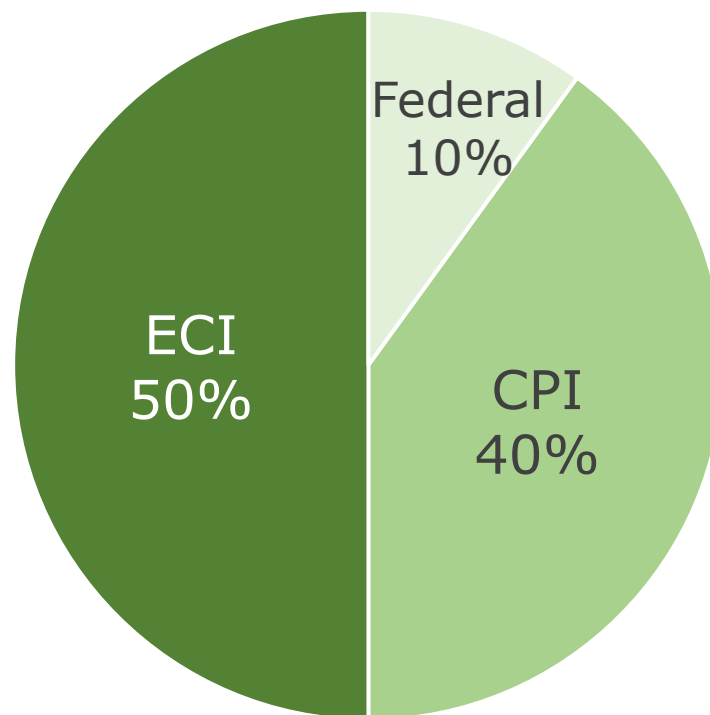
- Examines individual "benchmark" job classes and determines if in-line with competitor jurisdictions
- For non-uniformed employees, adjustments impact pay grade for impacted job classes
- For uniformed employees, adjustments impact entire pay scale



Market Rate Adjustment

- The Market Rate Adjustment (MRA) provides a guide to the amount of pay structure adjustment needed to keep County pay rates competitive with the market.
- Provided to all County employees
- Since FY 2012, the MRA calculation has consisted of the following components:

Employment Cost Index (ECI) measures the rate of change in employee compensation (wages and salaries). Civilian ECI used, which includes private sector, state, and local government employees. Third quarter data used.



Federal Wage Adjustment for the Washington-Baltimore area. Due to budget timing, adjustment from previous January used.

Consumer Price Index (CPI) for the Washington-Baltimore area monitors changes in the cost of living. September data used.



Market Rate Adjustment History

- Calculation for FY 2017 Budget

Fiscal Year	Year Data Effective	Consumer Price Index Wash/ Baltimore (CPI)	<i>CPI x .40</i>	Employment Cost Index (ECI)	<i>ECI x .50</i>	Federal Wage Adjustment	<i>Fed x .10</i>	<i>Market Rate Adjustment</i>
FY 2017	2015	0.49%	0.194%	2.07%	1.036%	1.00%	0.100%	1.33%

- History of MRA

Fiscal Year	Calculated MRA	Funded MRA
FY 2016	1.68%	1.10%
FY 2015	1.29%	1.29%
FY 2014	1.93%	0.00%
FY 2013	2.18%	2.18%
FY 2012	1.52%	2.00%
FY 2011	0.78%	0.00%
FY 2010	3.49%	0.00%

Note: FY 2012 was the first year that the MRA was applied to the salaries of all County employees (previously, it was only applied to uniformed Public Safety salaries). In FY 2010 and FY 2011, formula was based on CPI (40%), Local Area Jurisdictions and Federal Adjustments (50%) and the Human Resource Association National Capital Area Salary Planning Survey (10%).



Merit/Performance Increases

- Merit/Performance increases are awarded to all merit employees
- These increases are awarded based on the type of pay plan
 - Uniformed Public Safety employees are on a Step/Grade pay structure
 - Non-Uniformed Employees are on an Open Range pay structure
- All merit employees are eligible for longevity increases
 - Uniformed Public Safety – 5% at 15 and 20 years
 - Non-Uniformed Employees – 4% at 20 and 25 years
 - Longevity increases are in place of, not in addition to, normal merit/performance increases



Promotions

- Uniformed Public Safety Employees
 - One or two-grade promotion: Salary increase greater than one within-grade increase of prior position, but no less than 6% (typically close to 10%)
 - Three or more grade promotion: Step closest to, but not in excess of, a 15% increase
- Non-Uniformed Employees
 - One or two-grade promotion: Salary increase of 10%
 - Three or more grade promotion: Salary increase of 15%



Plan Characteristics

Uniformed Public Safety

- Step/Grade Pay Structure
- Pay Plans have 9 steps, with 2 additional longevity steps for 15 and 20 years
- The differential between most Pay Steps is 5%
- The differential between Pay Grades varies – usually 5% to 10%

Pay Grade	Step 1	Step 2	Step 3	Step 4	Step 5	Step 6	Step 7	Step 8	Step 9	Step 10 (15 Years)	Step 11 (20 Years)
O-17	47,871.41	50,263.82	52,777.92	55,417.44	58,188.42	64,007.84	67,359.97	70,728.11	74,263.28	77,976.29	81,875.66
	10%										
O-18	52,561.18	55,188.43	57,948.59	60,846.03	63,888.45	67,082.29	70,437.33	73,960.43	77,659.71	81,541.62	85,619.25
	5%										
O-19	55,068.62	57,822.34	60,713.95	63,749.92	66,938.35	70,285.28	73,800.27	77,488.74	81,363.57	85,432.26	89,704.16

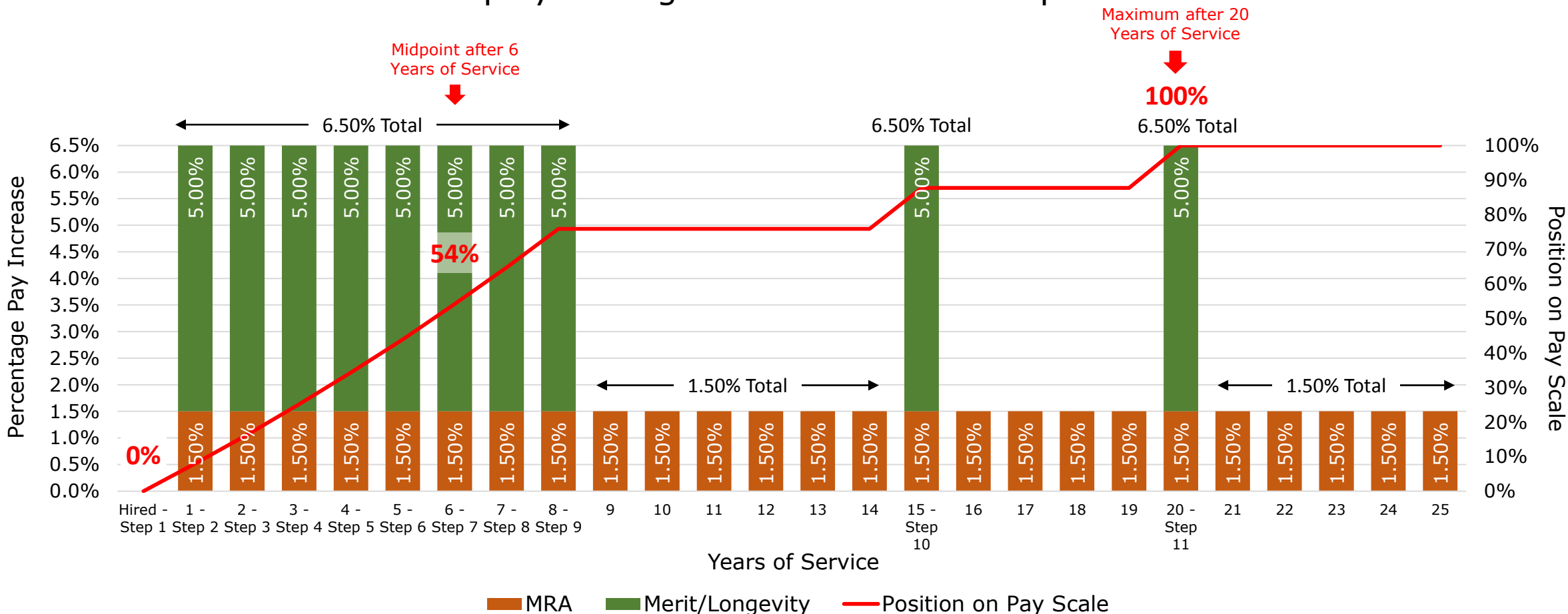
- Employees are generally hired at Step 1 or Step 2
- Market Rate Adjustments increase the entire scale
- Merits/Longevities allow employees to move within the pay structure
- In any given year, approximately 45% of uniformed employees are eligible for a step/longevity. Therefore, the typical average merit/longevity increase is 2.25% (45% times 5%).



Employee Progression

Uniformed Public Safety

Employee Progression if Hired at Step 1*



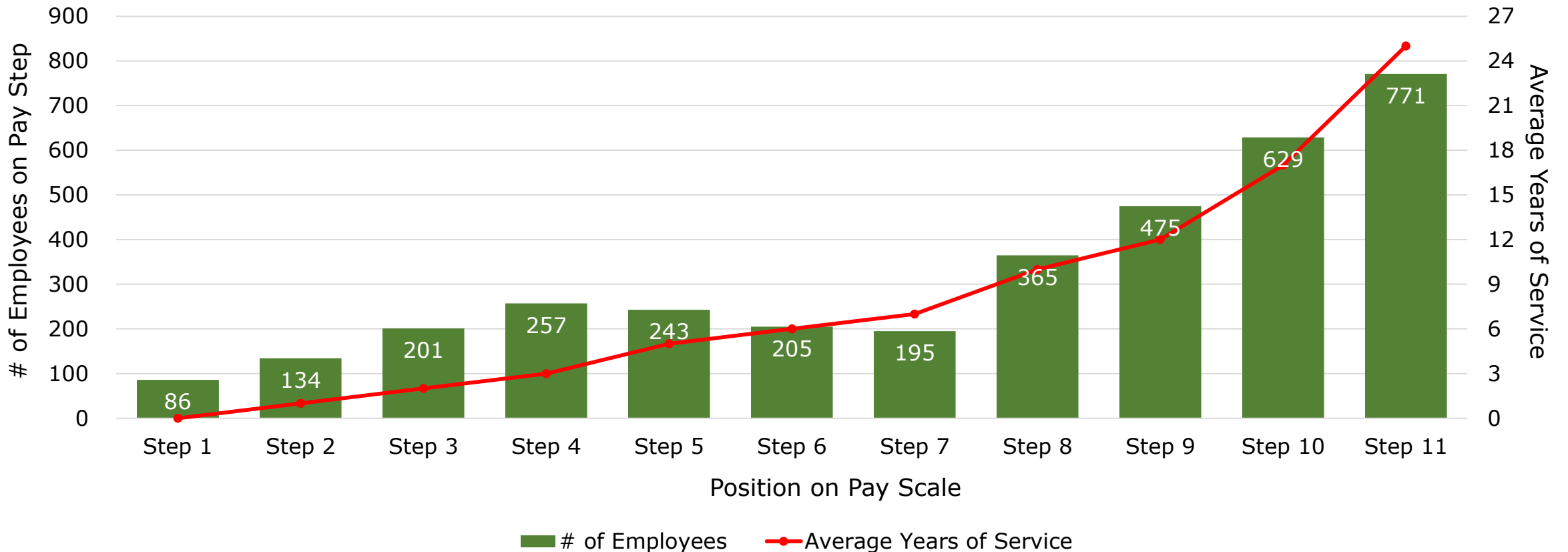
*Reflects elimination of Hold removed at Step 8 as part of FY 2017 budget



Spread of Employees on Pay Scale

Uniformed Public Safety

Average Years of Service and Position on Pay Scale





Plan Characteristics

Non-Uniformed Employees

- Pass/Fail Pay Plan Structure
- Performance increases range from 3% to 1.25% based on position on pay scale

Position on Pay Plan		Performance Increase Eligible
Greater than or Equal to	Less Than	
0%	15%	3.00%
15%	30%	2.50%
30%	45%	2.00%
45%	60%	1.75%
60%	75%	1.50%
75%	100%	1.25% (or until hit maximum)

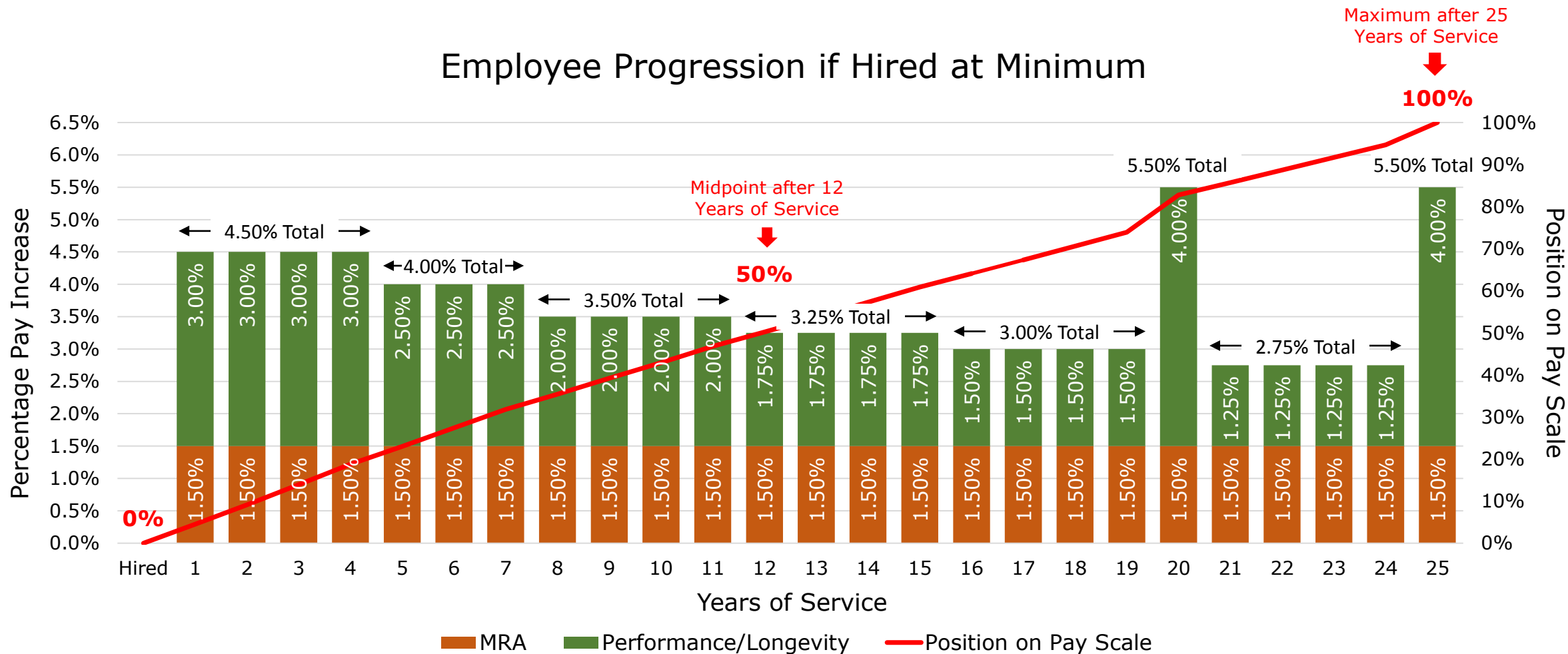
- 4% Longevity increases at 20 and 25 years (instead of Performance increase)
- Employees cannot exceed the maximum for their pay grade
- Employees are hired within pay range based on years of experience
- Market Rate Adjustments increase the entire scale and do not impact position on pay plan
- Performance/Longevity adjustments increase the employee's position on the pay plan
- Average Performance/Longevity increase is 2%



Employee Progression

Non-Uniformed Employees

Employee Progression if Hired at Minimum

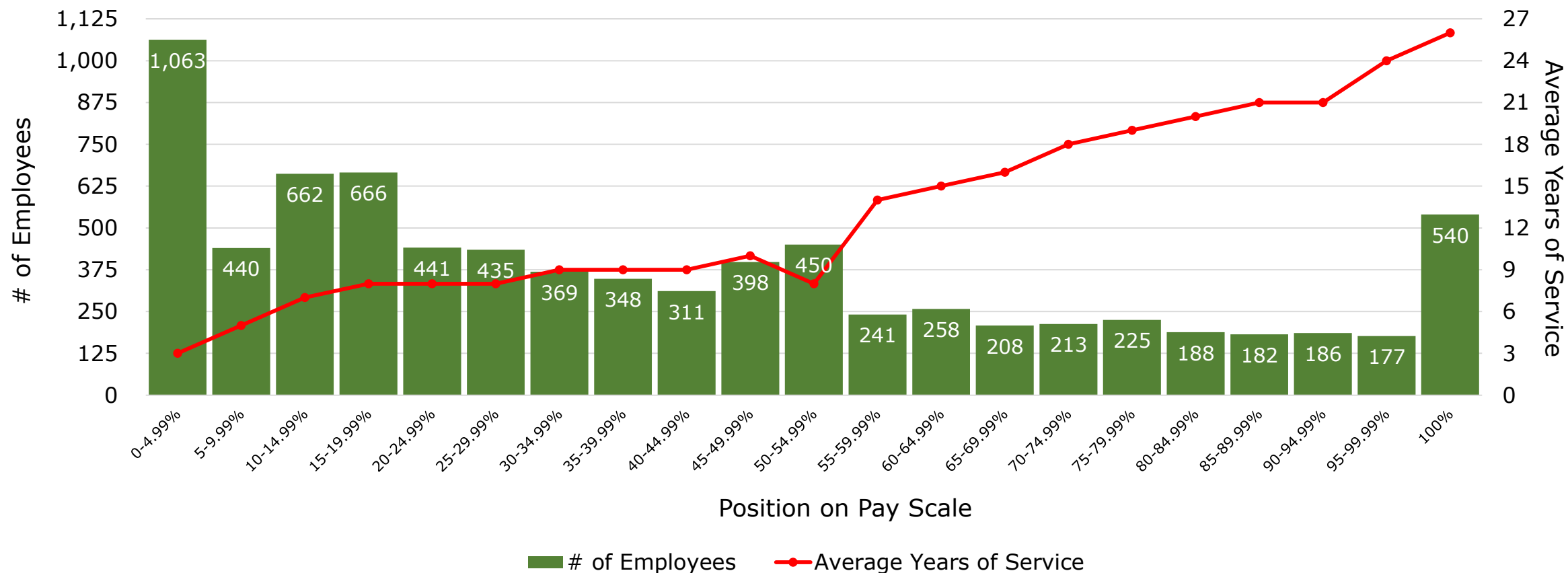




Spread of Employees on Pay Scale

Non-Uniformed Employees

Average Years of Service and Position on Pay Scale





Benchmark Class Studies

- Every year, select benchmark classes (representing all County job classes) are compared against pay structures in surrounding jurisdictions
- The Board's long-standing pay philosophy is to be at the midpoint of the market average.
- Job classes are generally recommended for re-grades when the Fairfax midpoint is below 95% of the market average midpoint.
- Comparator jurisdictions:
 - City of Alexandria
 - Arlington County
 - District of Columbia
 - Loudoun County
 - Montgomery County
 - Prince George's County
 - Prince William County
- Pay comparisons are focused on base salaries and do not include extra compensation (including guaranteed overtime)
- Benchmark class/market reviews are different between uniformed and non-uniformed job classes



Benchmark Class Studies

Uniformed Public Safety

- Market comparisons for the major public safety groups (Sheriff, Police, and Fire and Rescue) are done annually using 3 designated job classes for each group.
- The designated job classes have been agreed upon by the departments and Human Resources
- The midpoint of the Fairfax County pay ranges are compared to the market average midpoint. (For Fire and Rescue, hourly midpoint rates are used.)



Benchmark Class Studies

Uniformed Public Safety

- If at least two of the three benchmark classes are below 95% of the market midpoint average, a recommendation is made so that at least two classes are at 95% of market midpoint or better
 - Sheriff
 - Deputy Sheriff I
 - Deputy Sheriff II
 - Deputy Sheriff Captain
 - Police
 - Police Officer I
 - Police Officer II
 - Police Lieutenant
 - Fire and Rescue
 - Firefighter
 - Fire Technician
 - Fire Battalion Chief

- Although only 3 classes are compared to the market, increases resulting from the market study impact all classes on the pay scale
 - For example, in FY 2015, Fire and Rescue hourly midpoint benchmark comparisons were as follows:

• Firefighter	92% of market average
• Fire Technician	84% of market average
• Fire Battalion Chief	96% of market average
 - Thus, a 3% across-the-board adjustment was made to all Fire and Rescue classes to bring the Firefighter job class to 95% of the market average and to maintain the integrity of the pay structure for all grades



FY 2017 Public Safety Market Study

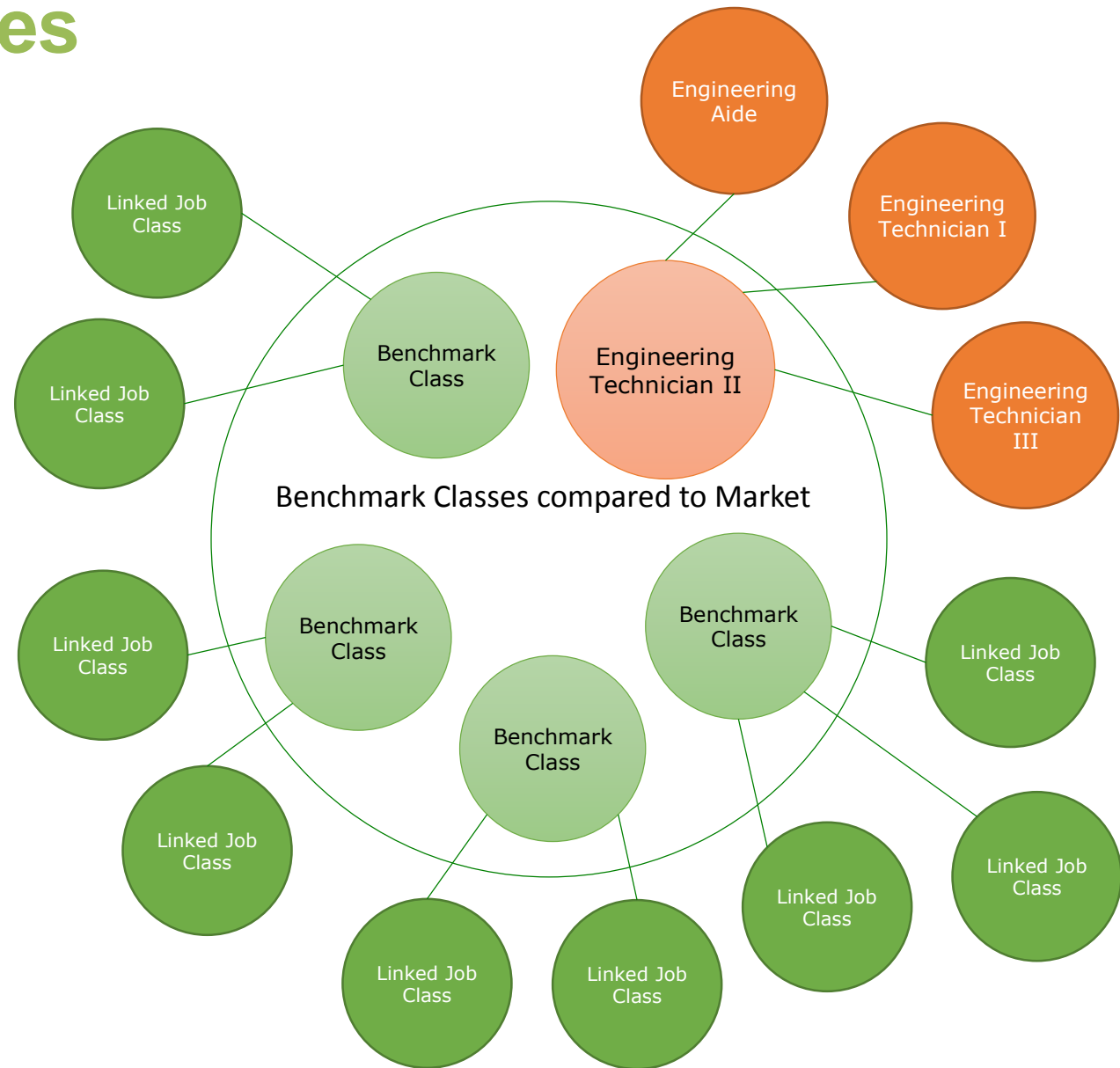
	Class Title	Grade		MIN	MID	MAX	Hourly Midpoint
Uniformed Sheriff	Deputy Sheriff I	C17-2	Market Average	46,171	60,617	75,064	
			Fairfax	48,331	63,529	78,727	
			Fairfax as % of Market		105%		
	Deputy Sheriff II	C18	Market Average	51,750	68,446	85,141	
			Fairfax	50,540	66,433	82,326	
			Fairfax as % of Market		97%		
	Deputy Sheriff Captain	C28	Market Average	78,759	107,126	135,492	
			Fairfax	74,552	97,994	121,436	
			Fairfax as % of Market		91%		
Uniformed Police	Police Officer I	O17-2	Market Average	48,509	64,078	79,648	
			Fairfax	50,264	66,070	81,876	
			Fairfax as % of Market		103%		
	Police Officer II	O18	Market Average	53,151	70,741	88,332	
			Fairfax	52,561	69,090	85,619	
			Fairfax as % of Market		98%		
	Police Lieutenant	O26	Market Average	77,047	100,507	123,967	
			Fairfax	70,778	93,048	115,308	
			Fairfax as % of Market		93%		
Uniformed Fire and Rescue	Firefighter	F18	Market Average	45,175	62,119	79,063	25.47
			Fairfax	53,732	70,654	87,575	24.26
			Fairfax as % of Market		114%		95%
	Fire Technician	F19	Market Average	49,827	69,519	89,211	29.33
			Fairfax	56,295	73,998	91,700	25.41
			Fairfax as % of Market		106%		87%
	Fire Battalion Chief	F29	Market Average	77,520	106,363	135,207	46.61
			Fairfax	91,588	120,347	149,106	44.73
			Fairfax as % of Market		113%		96%



Benchmark Class Studies

Non-Uniformed Employees

- Market reviews of benchmark classes are completed annually
- Benchmark classes (approximately 100) are tied to all other County job classes (approximately 700)





Benchmark Class Studies

Non-Uniformed Employees

- Trigger point for recommending regrades is if a benchmark class falls below 95% of the market average midpoint

Class Title	Fairfax as % of Market	Current Pay Grade	Grade Increase	New Pay Grade
Engineering Technician II (Benchmark Class)	92%	S18	1	S19
Engineering Aide		S13	1	S14
Engineering Technician I		S15	1	S16
Engineering Technician III		S21	1	S22

- If an employee's pay is below the current grade midpoint, the employee receives 3% of new grade midpoint. If pay is currently at or above the current grade midpoint, the employee receives 1.5% of the new grade midpoint.

Employee Example	Current Salary	S18 Midpoint	S19 Midpoint	Increase Eligible	\$ Increase
Employee A	\$44,500	\$56,716	\$59,422	3% of S19 Midpoint	\$1,783
Employee B	\$58,000	\$56,716	\$59,422	1.5% of S19 Midpoint	\$891



FY 2017 General Employees Benchmark Class Survey

	Pay Plan	Pay Grade	Class Title	Fairfax as % of Market Midpoint
1	S	15	Administrative Assistant III	110%
2	P	20	Animal Control Officer II	116%
3	S	18	Engineering Technician II	92%
4	S	27	Engineer III	97%
5	S	24	Accountant II	110%
6	S	27	Auditor III	112%
7	S	24	Budget Analyst II	98%
8	S	11	Cook	115%
9	S	24	Speech Pathologist II	96%
10	S	25	Physical Therapist II	96%
11	S	27	BHN Clinical Nurse Specialist	93%
12	S	19	Public Health Laboratory Technologist	96%
13	S	24	Public Health Nurse II	101%
14	S	19	Public Health Nutritionist	98%
15	S	32	Sr. Pharmacist	97%
16	S	23	Environmental Health Specialist II	102%
17	S	24	HR Analyst II	99%
18	S	23	Training Specialist II	97%
19	S	29	Database Administrator II	107%
20	S	27	Internet/Intranet Architect II	100%
21	S	26	Network/Telecom Analyst II	96%
22	S	25	Programmer Analyst II	98%
23	S	20	Combination Inspector	95%
24	S	21	Senior Engineering Inspector	103%
25	S	21	Paralegal	101%
26	L	5	Assistant County Attorney V	109%
27	S	22	Librarian II	100%

	Pay Plan	Pay Grade	Class Title	Fairfax as % of Market Midpoint
28	S	13	Library Aide	97%
29	S	18	Carpenter II	107%
30	S	20	Electrician II	107%
31	S	17	Heavy Equipment Operator	100%
32	S	16	General Building Maintenance Worker I	111%
33	S	19	HVAC Technician I	104%
34	S	16	Mason	97%
35	S	16	Painter I	108%
36	S	18	Plumber I	103%
37	S	19	Welder II	108%
38	S	21	Parks/Recreation Specialist II	101%
39	S	24	Planner II	95%
40	S	16	Print Shop Operator II	113%
41	S	27	Information Officer III	101%
42	P	20	Public Safety Communicator III	105%
43	S	15	Material Management Specialist II	106%
44	S	24	Contract Specialist II	104%
45	S	23	Substance Abuse Counselor II	99%
46	S	23	Social Services Specialist II	104%
47	S	23	Real Estate Appraiser	98%
48	S	20	Automotive Mechanic II	106%
49	S	20	Instrumentation Technician II	94%
50	S	10	Maintenance Worker	99%
51	S	18	Plant Operator II	94%
52	S	20	Fire Inspector II	97%
53	S	22	Crime Analyst II	104%
54	S	22	Fingerprint Specialist III	107%



Average Base Salaries by Pay Plan

Pay Plan	# of Employees	Average Annual Salary	Average Years of Service
Uniformed	3,534	\$80,695	12
Plan C - Sheriff	501	\$79,685	13
Plan F – Fire and Rescue	1,394	\$86,504	13
Plan O - Police	1,359	\$79,535	13
Plan P – Public Safety Communicators/ Animal Control Officers	280	\$59,213	10
Non-Uniformed	8,001	\$67,478	11
Plan E - Executive	42	\$161,220	17
Plan L – County Attorney	49	\$104,685	8
Plan S – General County	7,824	\$66,140	11
Plan X – Exempt Service	86	\$122,235	7
TOTAL	11,535	\$71,527	11

Data as of March 2016. Includes full-time employees. Does not include overtime, stipends, allowances, awards or leave payouts.



Compensation Increase History

	General County	Uniformed Fire and Rescue	Uniformed Police/ Sheriff/ DPSC	
FY 2017	3.33%	3.58%	3.58%	<ul style="list-style-type: none"> 1.33% Market Rate Adjustment for all employees Performance and longevity increases for non-uniformed with an average of 2.00% Merit and longevity increases for uniformed public safety (45% eligible for 5% increase - average of 2.25%)
FY 2016	3.60%	3.35%	3.35%	<ul style="list-style-type: none"> 1.10% Market Rate Adjustment for all employees Performance and longevity increases for non-uniformed with an average of 2.50% (higher because of large number of employees receiving 4% longevity 1st year of implementation) Merit and longevity increases for uniformed public safety (45% eligible for 5% increase - average of 2.25%)
FY 2015	2.29%	6.54%	3.54%	<ul style="list-style-type: none"> 1.29% Market Rate Adjustment for all employees Additional 1.00% above MRA provided to non-uniformed employees Merits and longevity increases awarded to uniformed public safety personnel (45% eligible for 5% increase - average of 2.25%) Fire and Rescue adjustment of 3% based on pay study
FY 2014	0.00%	0.35%	0.35%	<ul style="list-style-type: none"> No across-the-board base pay adjustments Longevity increases awarded to uniformed public safety personnel (7% eligible for 5% increase - average of 0.35%) Gross \$850 bonus awarded to all merit employees; Gross \$500 bonus awarded to all benefits-eligible (non-merit) employees
FY 2013	4.68%	5.48%	5.48%	<ul style="list-style-type: none"> 2.18% Market Rate Adjustment for all employees General County includes 2.5% performance adjustment awarded in January Merit and longevity increases awarded to Uniformed Public Safety (because of backlog of longevities, 66% eligible for 5% increase - average of 3.30%)
FY 2012	2.00%	2.00%	2.00%	<ul style="list-style-type: none"> 2.00% across-the-board adjustment provided to all merit employees (in September 2011)
FY 2011	0.00%	0.00%	0.00%	
FY 2010	0.00%	0.00%	0.00%	
Average Annual Increase	1.99%	2.66%	2.29%	



RETIREE BENEFITS



Retiree Benefits Overview

- Major benefits categories include:
 - Retirement
 - Employees'
 - Uniformed
 - Police Officers
 - Virginia Retirement System
 - FICA
 - Deferred Compensation
 - Retiree Health
- Over the past 10 years, the General Fund cost of Retiree Benefits has grown, on average, 6.2% annually

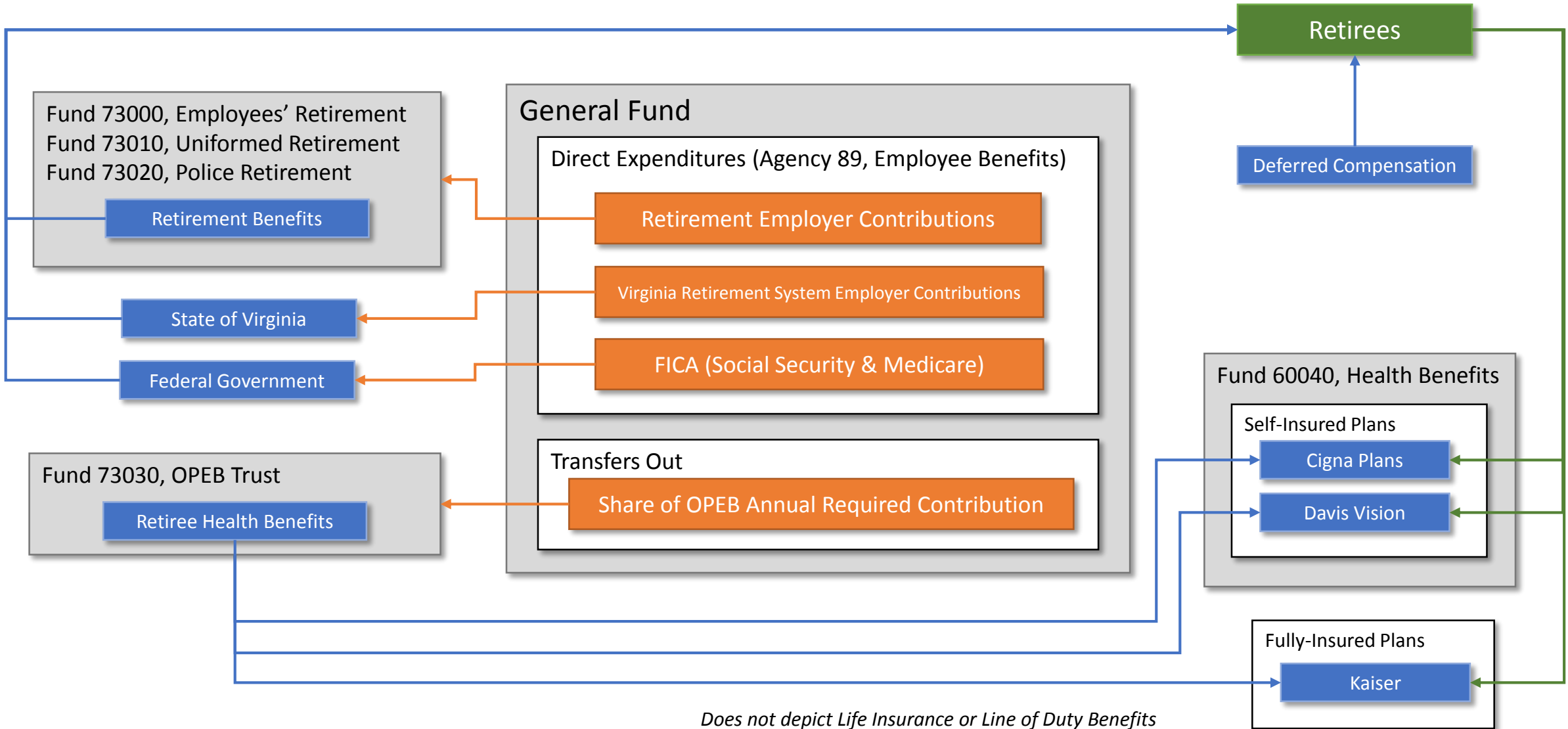
Retiree Benefits (In \$millions)

General Fund Adopted Budget	FY 2007	FY 2017	% Annual Increase
FICA	\$42.40	\$49.30	1.5%
Employees' Retirement	\$28.02	\$83.68	11.6%
Uniformed Retirement	\$37.27	\$62.83	5.4%
Police Retirement	\$19.28	\$44.86	8.8%
Virginia Retirement System	\$1.46	\$0.68	(7.4%)
Retiree Health	\$12.27	\$16.00	2.7%
Total Retiree Benefits	\$140.70	\$257.35	6.2%

Life Insurance costs related to retirees are not included in the above chart.



Financial Flow for Retiree Benefits



Does not depict Life Insurance or Line of Duty Benefits

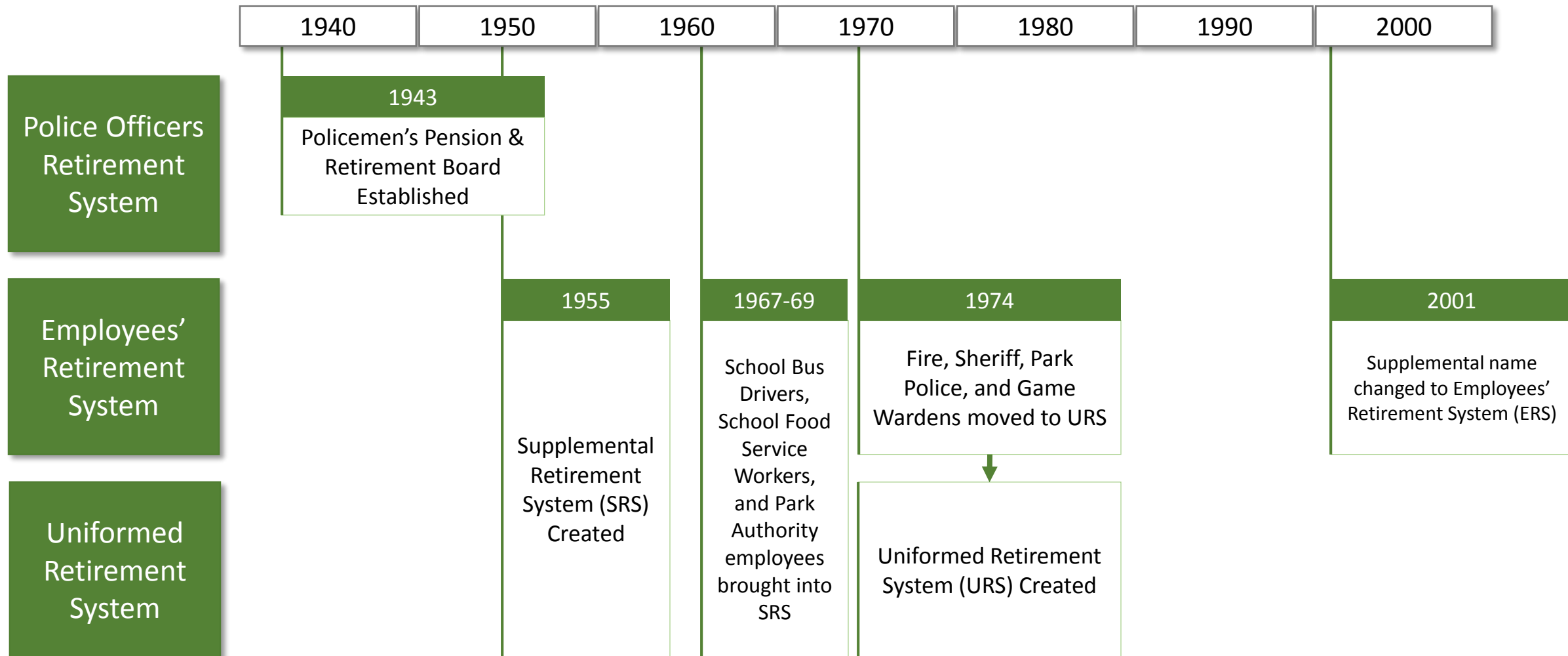


Retirement



County Retirement Plans

History of Plans





County Retirement Plans

Overview of Plans

	Employees' Retirement System	Uniformed Retirement System	Police Officers Retirement System
Participation	County employees not covered under Uniformed or Police Officers system; certain Fairfax County Public Schools employees including food service, custodial, bus drivers, part-time and substitute teachers, maintenance staff.	Uniformed Fire & Rescue Personnel; Uniformed Sheriff's Office employees; Animal Control Officers; Helicopter Pilots; Non-Administrative staff in the Department of Public Safety Communications	Police Officers
County Participants as of June 30, 2015	7,977 Actives 4,840 Retirees/Beneficiaries 367 Deferred Vested <u>496</u> DROP Participants 13,680 TOTAL*	1,892 Actives 1,242 Retirees/Beneficiaries 26 Deferred Vested <u>116</u> DROP Participants 3,276 TOTAL	1,248 Actives 1,012 Retirees/Beneficiaries 17 Deferred Vested <u>81</u> DROP Participants 2,358 TOTAL
FY 2017 Adopted General Fund Cost	\$83.7 million	\$62.8 million	\$44.9 million

* Schools participants total 9,405, including 5,692 actives, 3,181 retirees/beneficiaries, 384 deferred vested, and 148 DROP participants.



VRS Mandate

- Under Virginia Code §51.1-800, the County's systems must provide:

"a service retirement allowance to each employee who retires at age sixty-five or older which equals or exceeds two-thirds of the service retirement allowance to which the employee would have been entitled had the allowance been computed under the provisions of the Virginia Retirement System."



Aon Hewitt Retirement Study

- Aon Hewitt completed a study of the County's retirement benefits, including the pension systems and the County's retiree health benefits. The study was presented to the Board of Supervisors in February and March 2012.
 - <http://www.fairfaxcounty.gov/hr/pdf/fairfaxcountyretirementbenefitsbenefitsstudy.pdf>
- The charts on the following slides show the present value of benefits for several age/service combinations, compared across multiple jurisdictions. As these charts have been extracted from the 2012 retirement study, they are based on the terms of each plan that were in effect on July 1, 2011.
- Changes have been made to the terms of each of the County's retirement plans since July 2011, and changes have also been made to many of the comparator jurisdictions. However, the results of the study are the most recent and most comprehensive benchmarking of the County's retirement benefits.

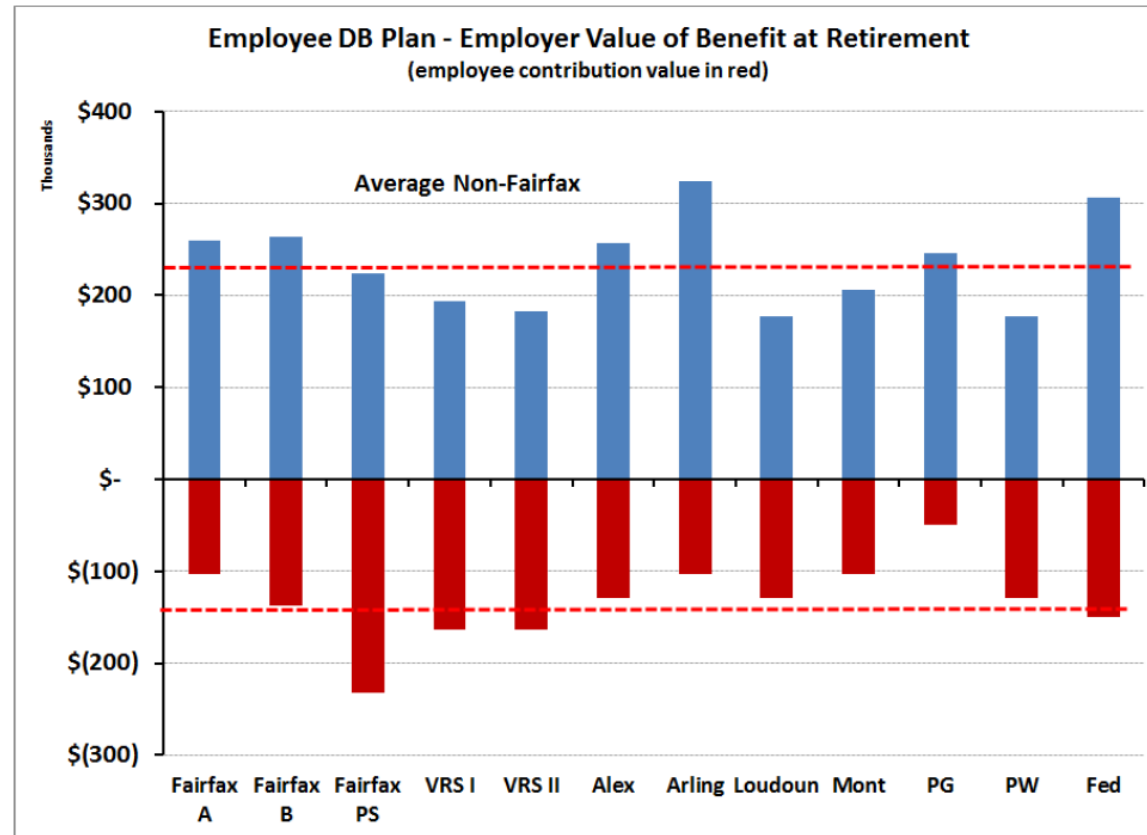
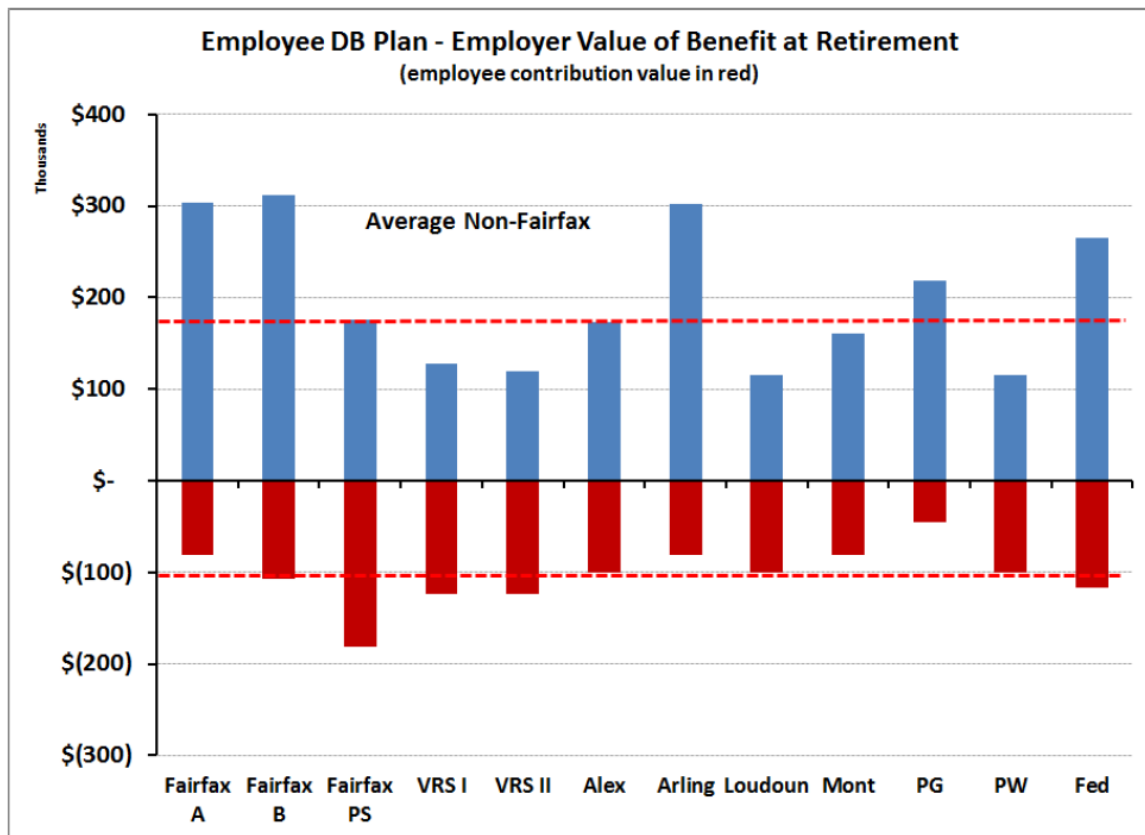


2012 Retirement Study Benchmarking

Employees' System

Age 61 with 21 years of service, \$65,000 salary

Age 65 with 25 years of service, \$65,000 salary

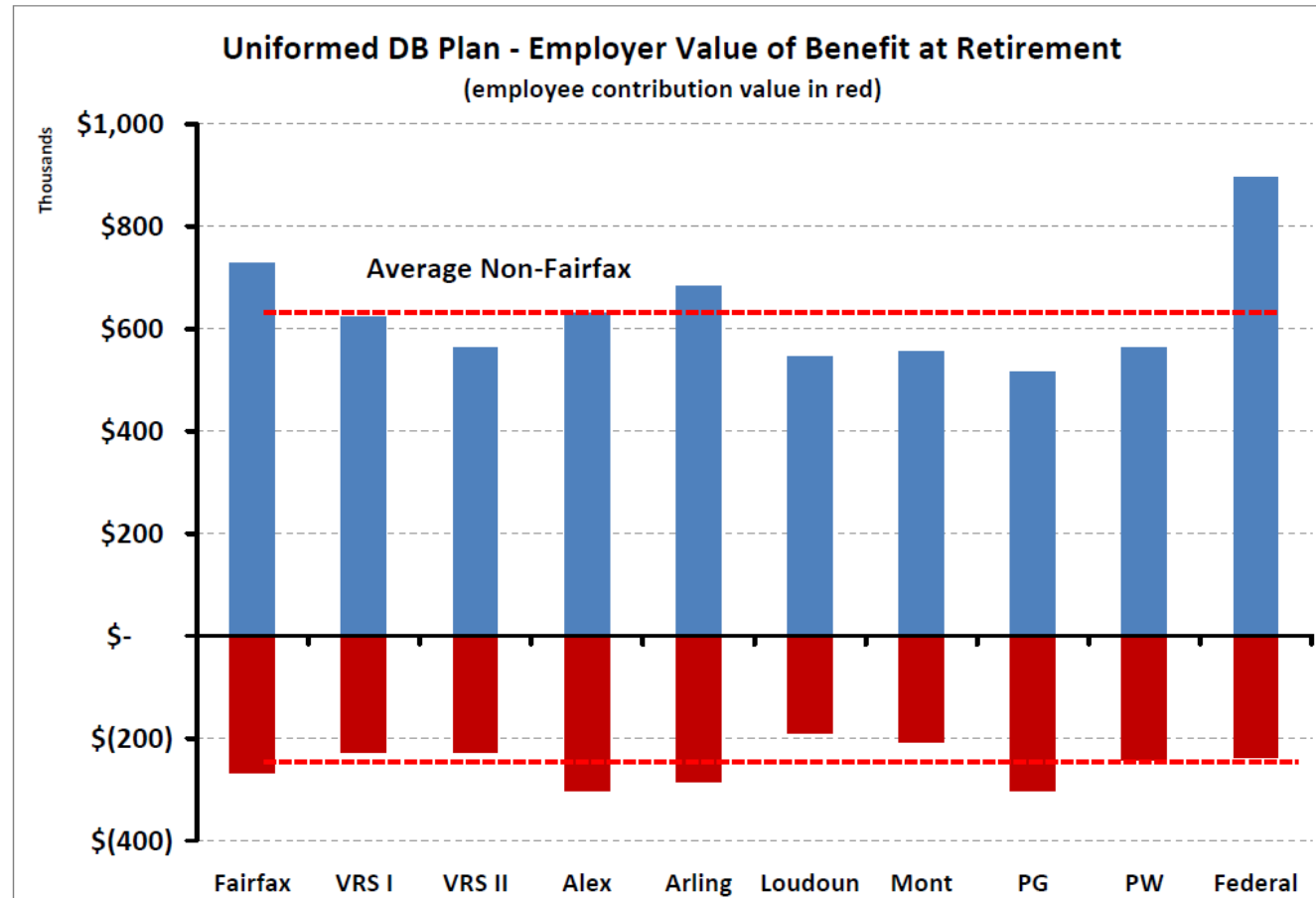




2012 Retirement Study Benchmarking

Uniformed System

Age 52 with 26 years of service, \$90,000 salary

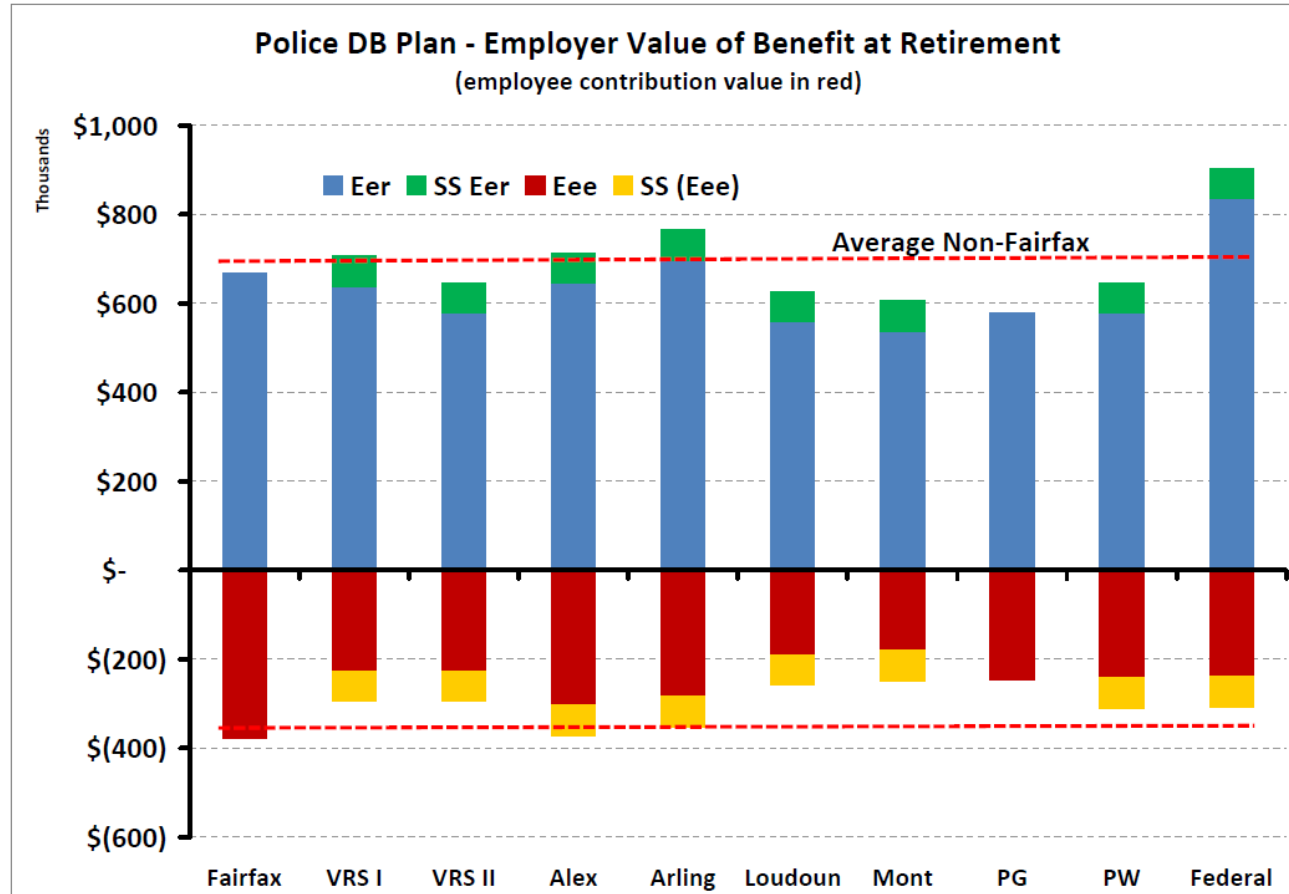




2012 Retirement Study Benchmarking

Police Officers System

Age 51 with 26 years of service, \$90,000 salary



Note: Because Police Officers in many other jurisdictions participate in Social Security (whereby those in Fairfax do not), Social Security contributions/benefits are included in this comparison.



Changes Resulting from the Retirement Study

Implemented for New Employees hired on or after January 1, 2013

	Employees'	Uniformed	Police Officers
Minimum Retirement Age for Normal Service Retirement	Increased from age 50 to age 55	No change	No change
Normal Service Retirement Eligibility	Increased from Rule of 80 (Years plus Service) to Rule of 85 (Years plus Service)	No change	No change
Pre-Social Security Supplement and DROP	Removed Pre-Social Security supplement from balances accumulated during the DROP Period		Not applicable
Use of Sick Leave	Placed a cap on the use of sick leave for purposes of determining retirement eligibility and benefits at 2,080 hours		



Benefit Features of Retirement Plans

Plans currently in effect for new hires

	Employees' Retirement System	Uniformed Retirement System	Police Officers Retirement System
Employee Contribution	4.00% (Plan C) 5.33% (Plan D)	7.08%	8.65%
Normal Retirement Eligibility	Rule of 85 (Age plus Service) or Age 65 with 5 Years of Service	25 Years of Service or Age 55 with 6 Years of Service	25 Years of Service or Age 55
Benefit Multiplier	1.8% (Plan C) 2.0% (Plan D)	2.5%	2.8%
Minimum Retirement Age	55	NA	NA

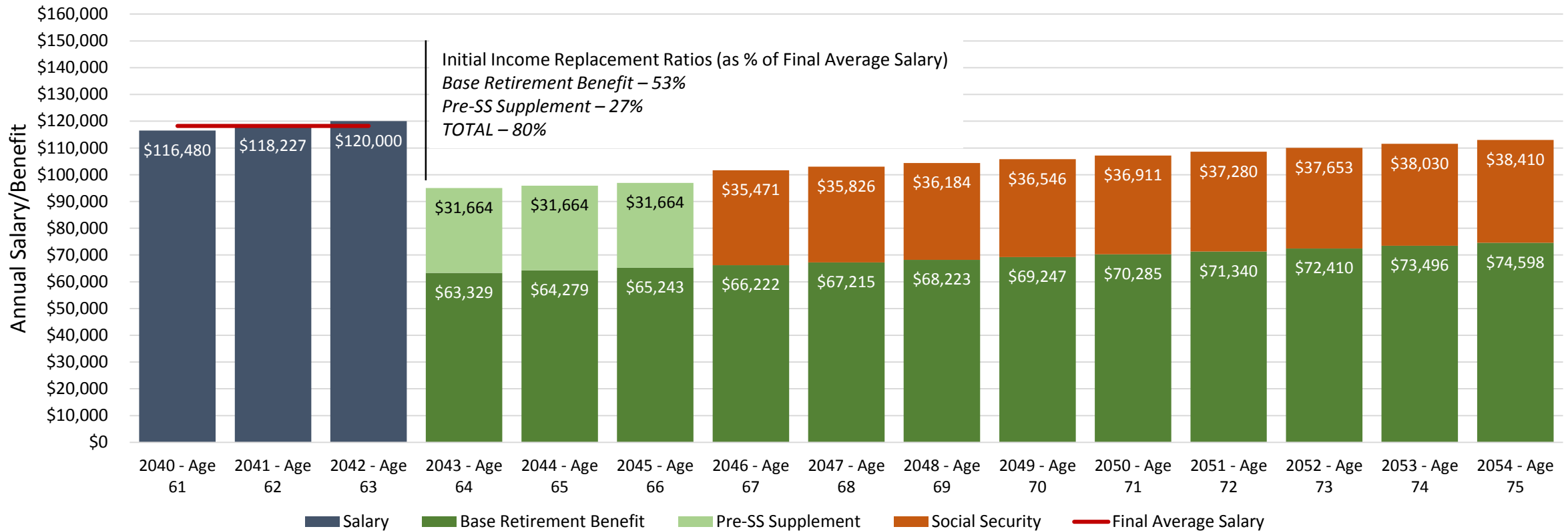


Retirement Benefit Example

Employees' Retirement System

- New Hire in 2016 at Age 37, Hired at 24% of Scale
- Assume S-21 with no promotions
- Retiring at age 64 in 2043 with 26 Years of Service

Projected Retirement Benefit Based on Average New Hire



Based on average FY 2016 S-Scale new hire as of March 2016. Does not include pension-eligible stipends or extra pay. Assumes 1.5% Market Rate Adjustments and full funding of pay plan each year. Assumes employee works two years after reaching eligibility for full retirement and retiree health benefits. Estimates Social Security benefit at 30% of Final Average Salary. Assumes 1.5% annual County COLA and 1.00% annual COLA for Social Security.

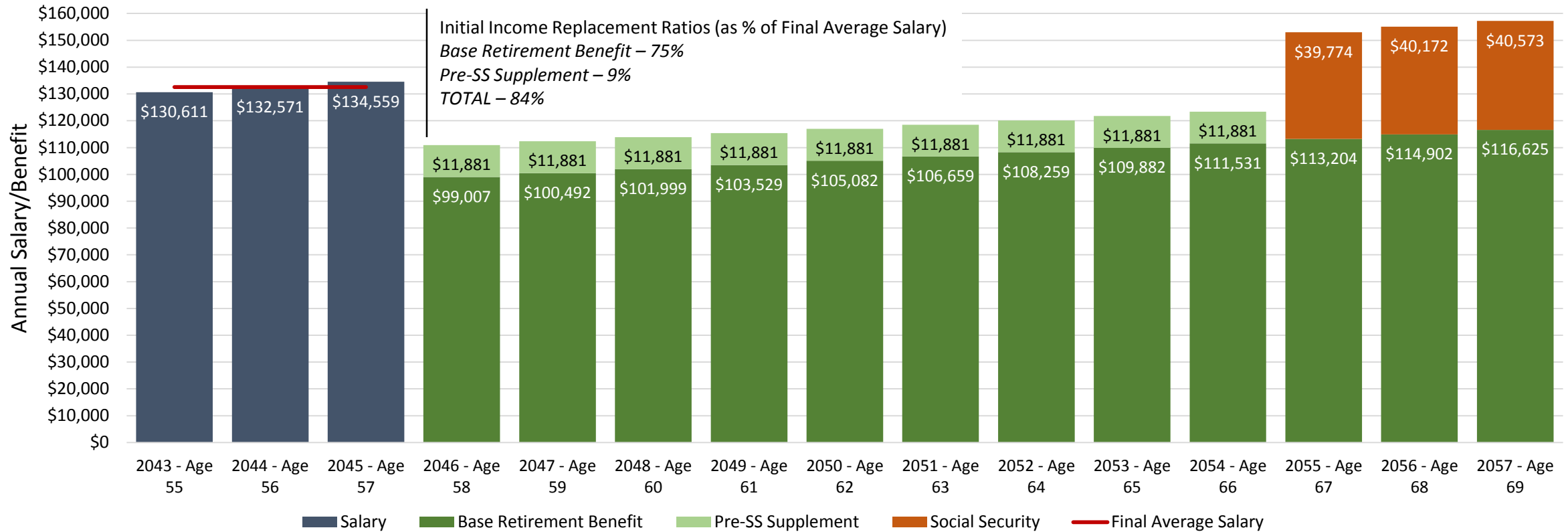


Retirement Benefit Example

Uniformed Retirement System

- New Hire in 2016 at Age 28, Hired at Step 1
- Assume F-18 with no promotions
- Retiring at age 58 in 2046 with 29 Years of Service

Projected Retirement Benefit Based on Average New Hire



Based on average FY 2016 F-Scale new hire as of March 2016. Does not include pension-eligible stipends or extra pay. Assumes 1.5% Market Rate Adjustments and full funding of pay plan each year. Assumes employee works two years after reaching eligibility for full retirement and retiree health benefits. Estimates Social Security benefit at 30% of Final Average Salary. Assumes 1.5% annual County COLA and 1.00% annual COLA for Social Security.

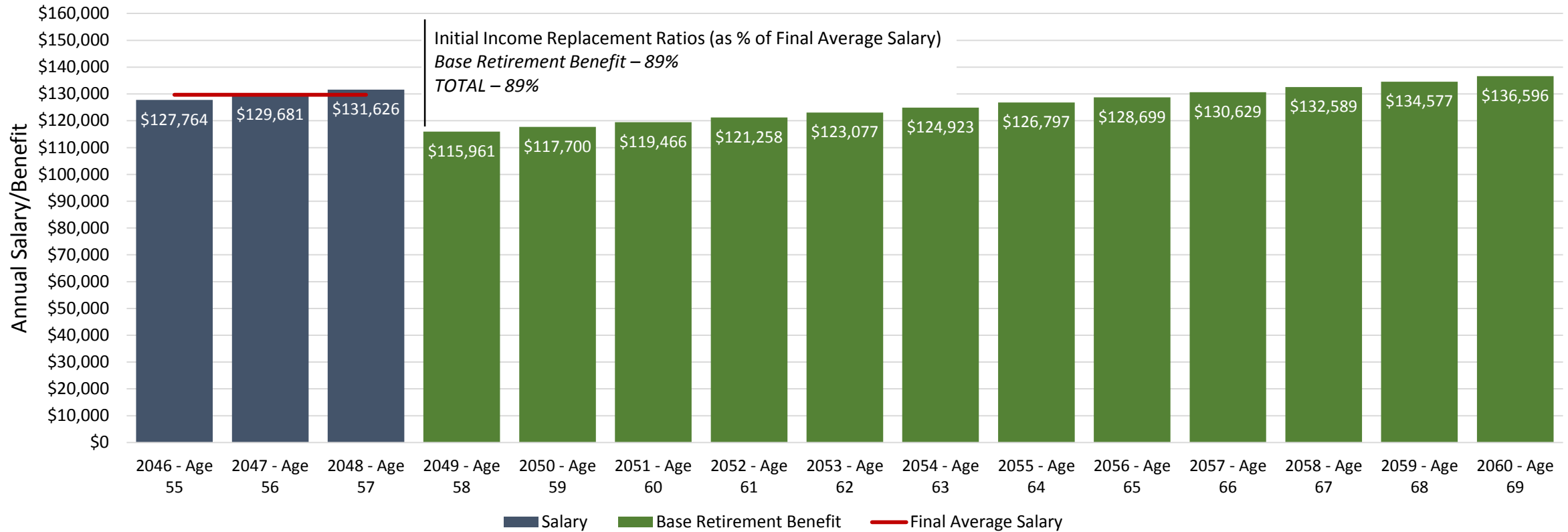


Retirement Benefit Example

Police Officers Retirement System

- New Hire in 2016 at Age 25, Hired at Step 3
- Assume O-17 with no promotions
- Retiring at age 58 in 2049 with 32 Years of Service

Projected Retirement Benefit Based on Average New Hire



Based on average FY 2016 O-Scale new hire as of March 2016. Does not include pension-eligible stipends or extra pay. Assumes 1.5% Market Rate Adjustments and full funding of pay plan each year. Assumes employee works two years after reaching eligibility for full retirement and retiree health benefits. Assumes 1.5% annual County COLA.



Deferred Retirement Option Program (DROP)

Overview of Program

- Implemented for Police Officers and Uniformed Systems in October 2003. Added for Employees' Retirement System in July 2005.
 - Initially implemented with sunset provisions; provisions removed in October 2010.
- Employees are eligible to enter DROP when eligible for normal service retirement
- DROP period cannot exceed 3 years
 - Average DROP stay by plan (since inception):
 - Employees: 2.4 years
 - Uniformed: 2.8 years
 - Police Officers: 2.2 years
- During DROP period:
 - Employees and the County do not make retirement contributions
 - Account balance is credited with 5% interest annually
 - Members continue to receive all other active employee benefits
 - Members do not earn additional service credits towards retirement

	DROP Participants (June 30, 2015)
Employees' (County only)	496
Uniformed	116
Police Officers	81
Total	693



Deferred Retirement Option Program (DROP)

Cost

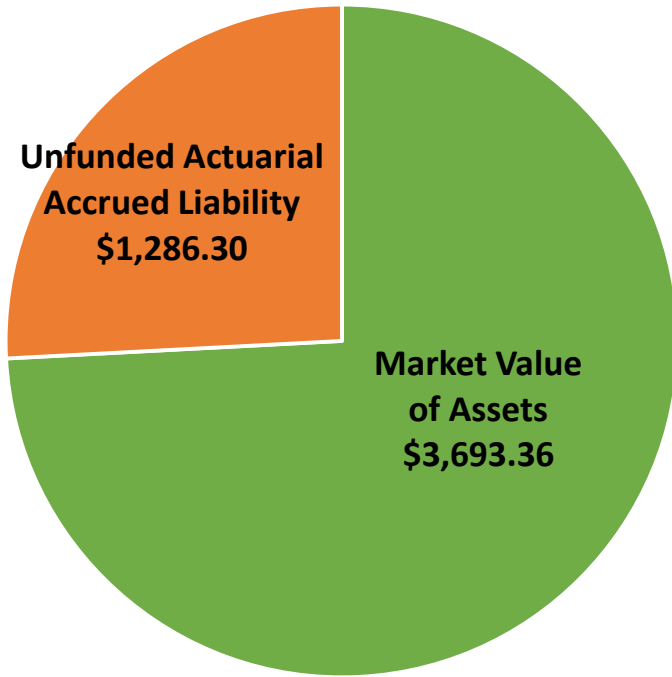
- When implemented, employer contribution rates increased slightly (less than 1%)
 - Salary base against which employer contribution was applied was reduced
- The accrued monthly benefit that accumulates in a DROP account is exactly the same as the monthly annuity that would have been paid had the member retired
- Investment earnings on DROP balances exceeding 5% remain in the systems



Funding Status of County Retirement Plans

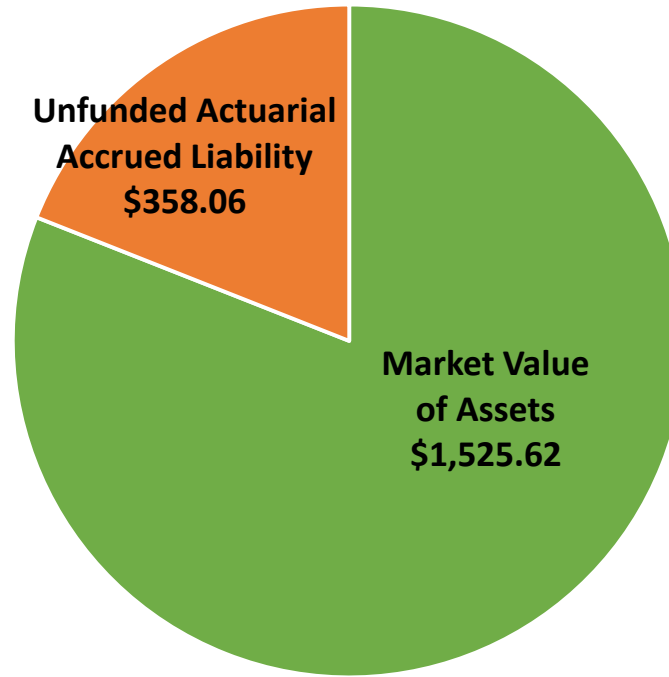
Assets/Liabilities as of June 30, 2015

Employees' System



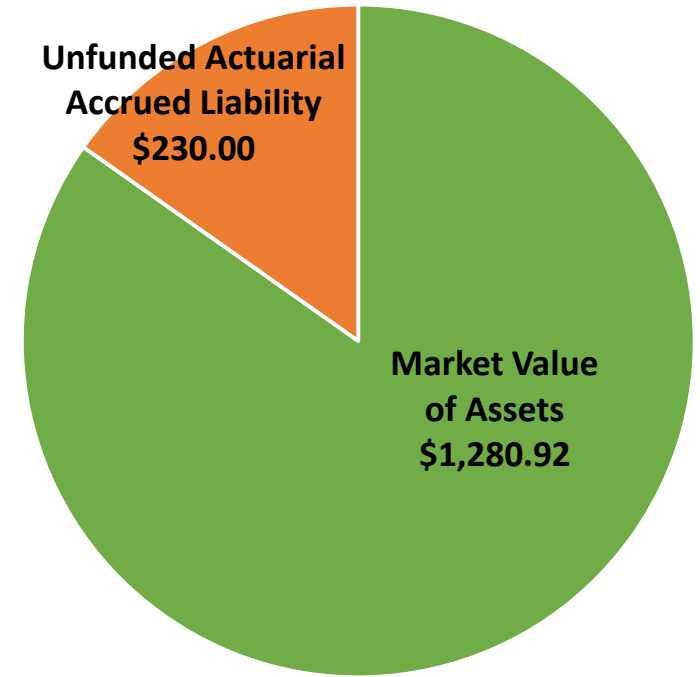
Total Pension Liability = \$4,979.66 million
Funded Ratio = 74.2%

Uniformed System



Total Pension Liability = \$1,883.67 million
Funded Ratio = 81.0%

Police Officers System



Total Pension Liability = \$1,510.92 million
Funded Ratio = 84.8%

Goal is to reach a 90% funded status for all plans by FY 2025.



Retirement System Funding

Background and Process

- County has always made required annual contributions at rates determined by County policy
- All employees contribute a percentage of their salaries
- Actuarial Valuations performed annually
 - Experience study performed by actuary every 5 years (next study is underway and will impact FY 2018 employer rates)
- County uses conservative actuarial assumptions
 - 15-year amortization period for unfunded liability
 - 7.5% discount rate
- Three Boards of Trustees
- Professionally managed investment program

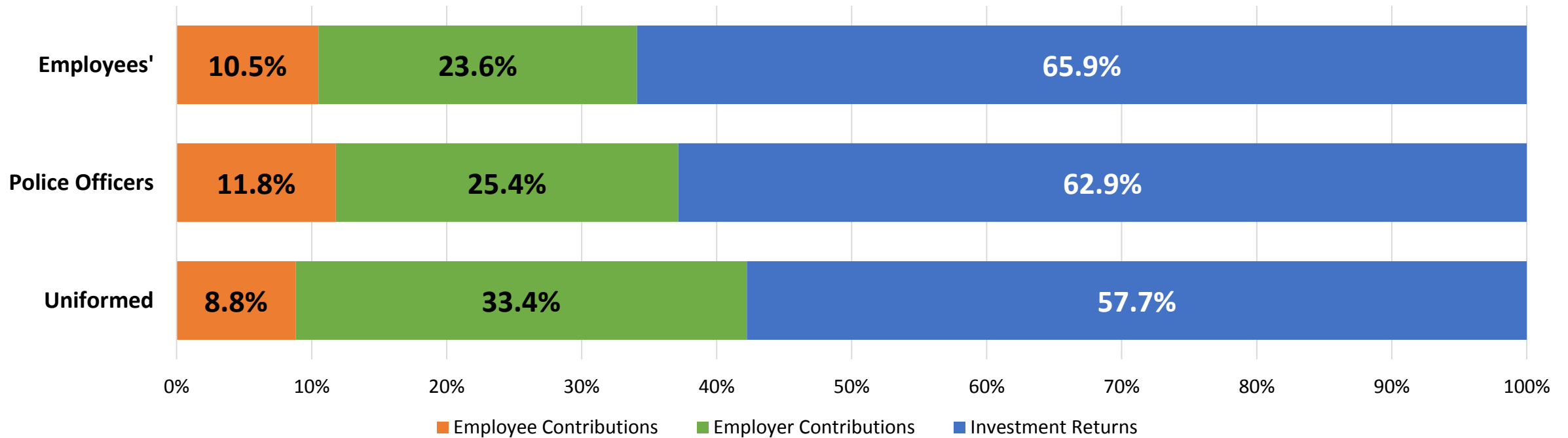


Retirement System Funding

Sources of Funding

- Systems are funded through a combination of Employee contributions, Employer contributions, and Investment Returns.

Sources of Funding (20-Year Average)





Retirement Contribution Rates

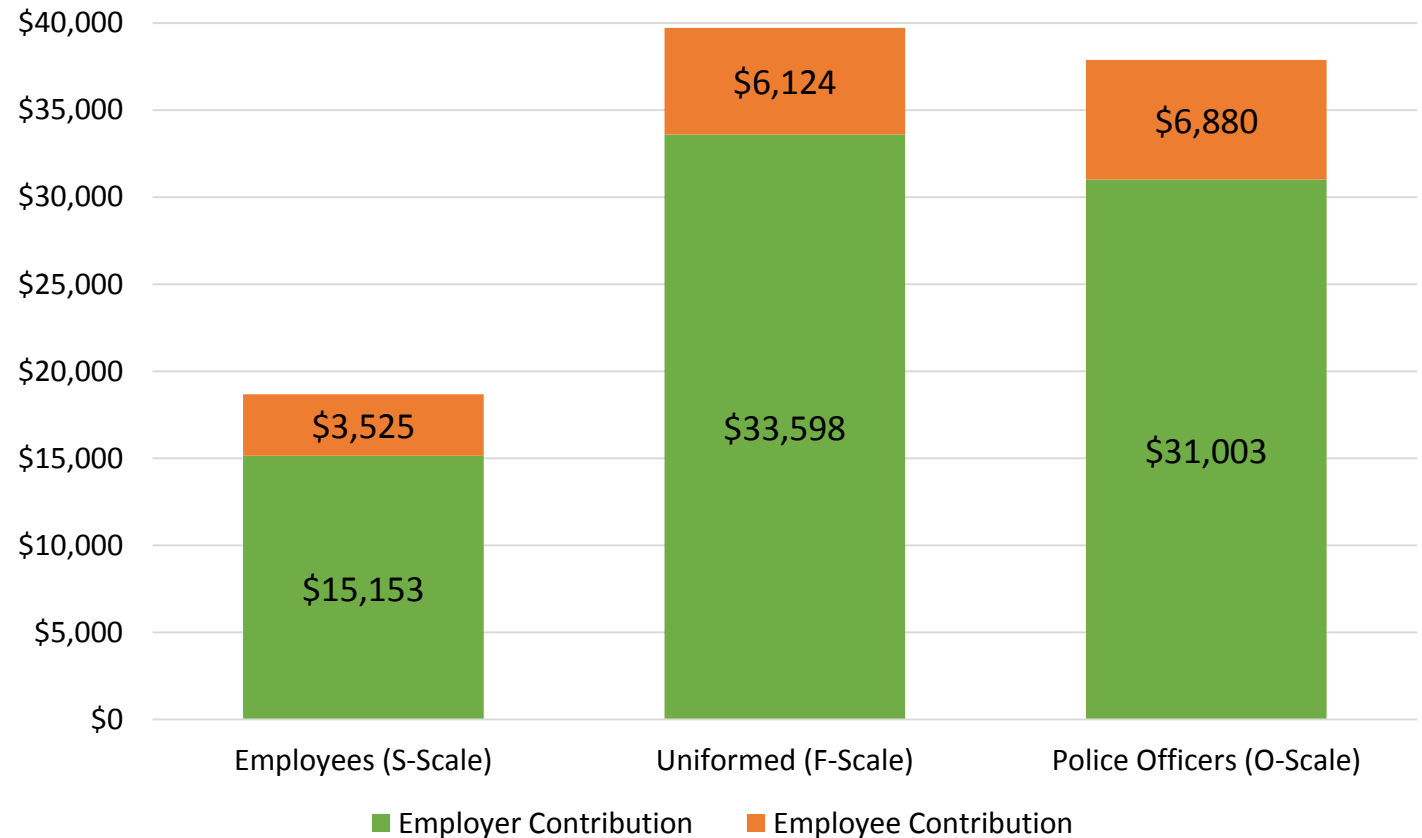
FY 2017 Employee and Employer contributions

Contributions as % of Salary

	Employee	Employer
Employees' (Plan C/D)	4.00%/5.33%	22.91%
Uniformed (Plan E)	7.08%	38.84%
Police Officers (Plan B)	8.65%	38.98%

- Employee contribution rates are established in Code
- Employer contribution rates are determined annually based on an actuarial review

Employee/Employer Contributions based on Average Salaries

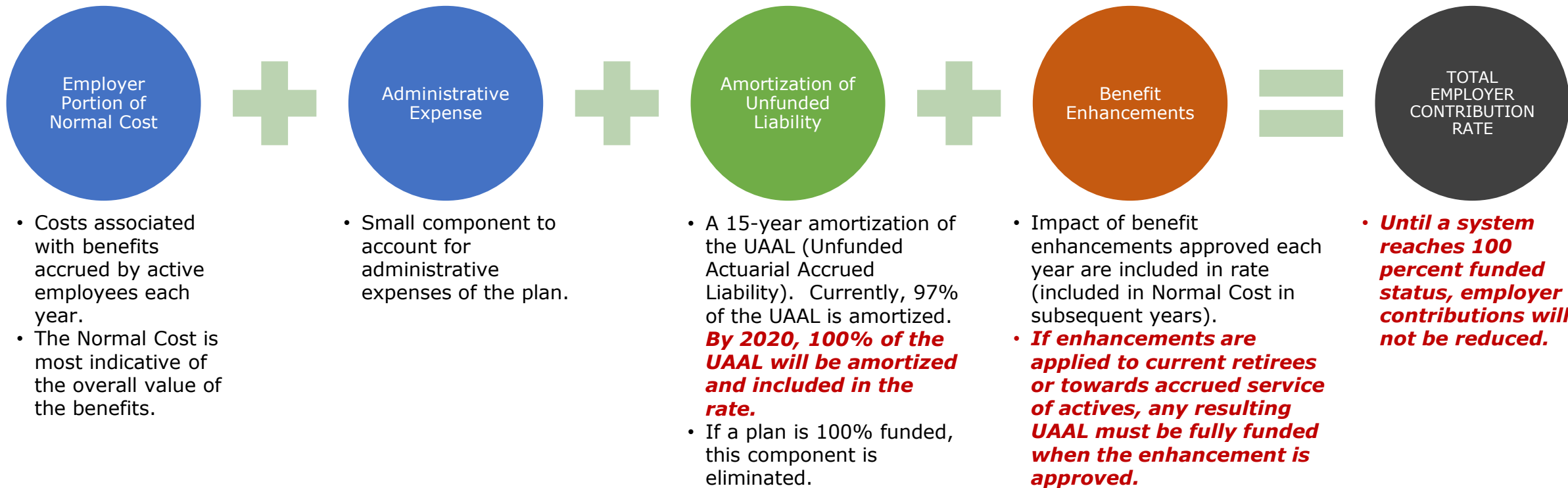




Retirement Contribution Rates

How are Employer Rates determined?

- Actuarial valuations are performed each year to determine rates
- Employer Contribution Rates are made up of 4 components:



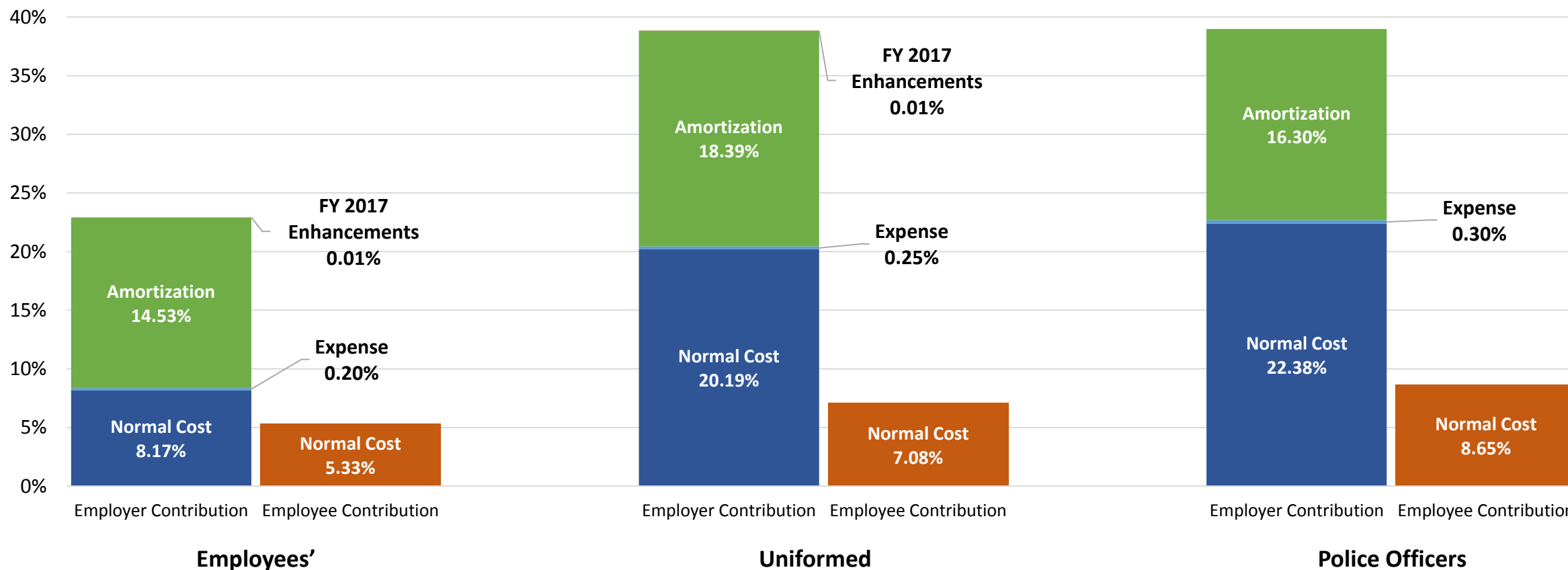
**Included in multi-year funding strategy approved as part of the adoption of the FY 2016 Budget and presented to bond rating agencies.*



Retirement Contribution Rates

Components of FY 2017 Rates

FY 2017 Employee and Employer Contribution Rates

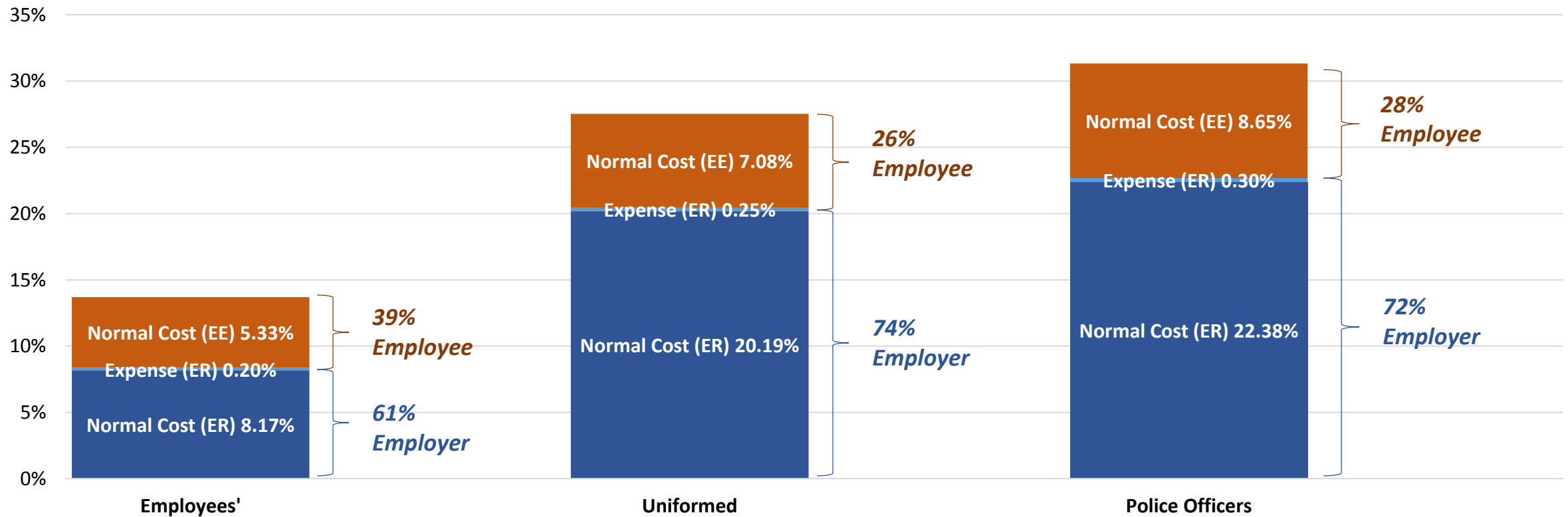




Retirement Contribution Rates

Components of Rates when 100% Funded

Employee and Employer Portions of Normal Cost and Expenses (Estimated)

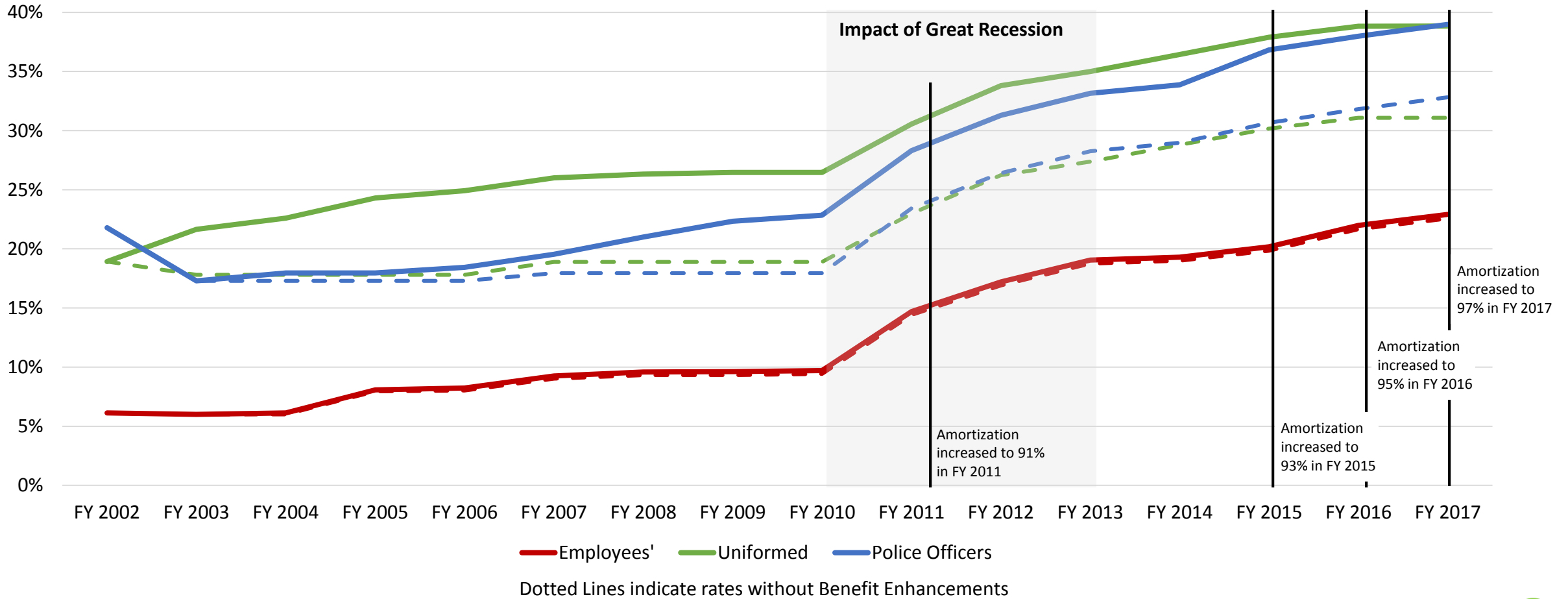




Retirement Contribution Rates

15-Year History of Rates

Employer Contribution Rates (FY 2002-2017)



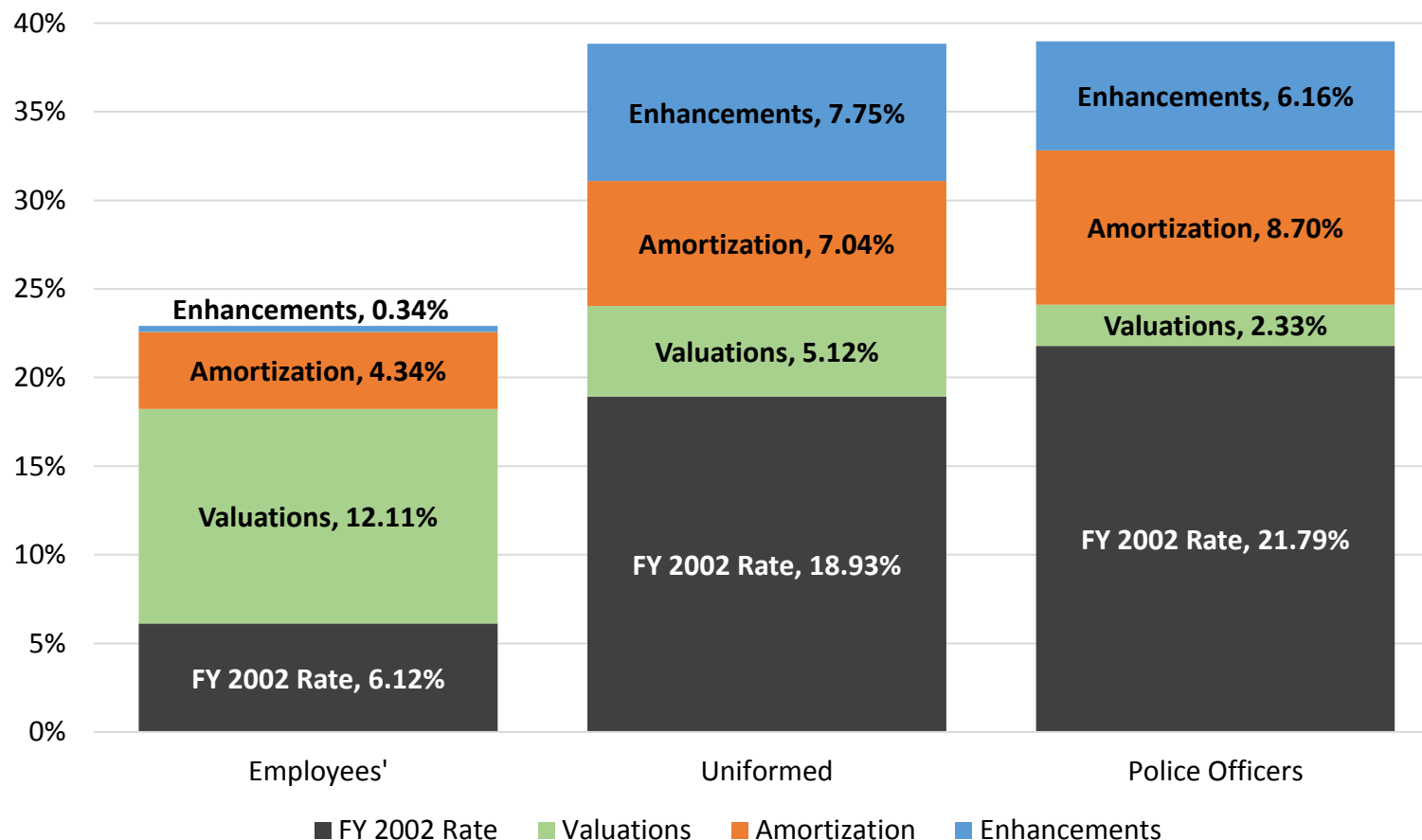


Retirement Contribution Rates

Why have rates increased?

- Employer contribution rates have increased for several reasons:
 - **Valuation Results** – Changes related to demographic changes (i.e. mortality rates, retirement rates) and investment results
 - **Amortization Adjustments** – Increases in the portion of the Unfunded Liability amortized and included in the rates (in line with Bond Rating Agency recommendations)
 - **Benefit Enhancements** – Increases in benefit levels

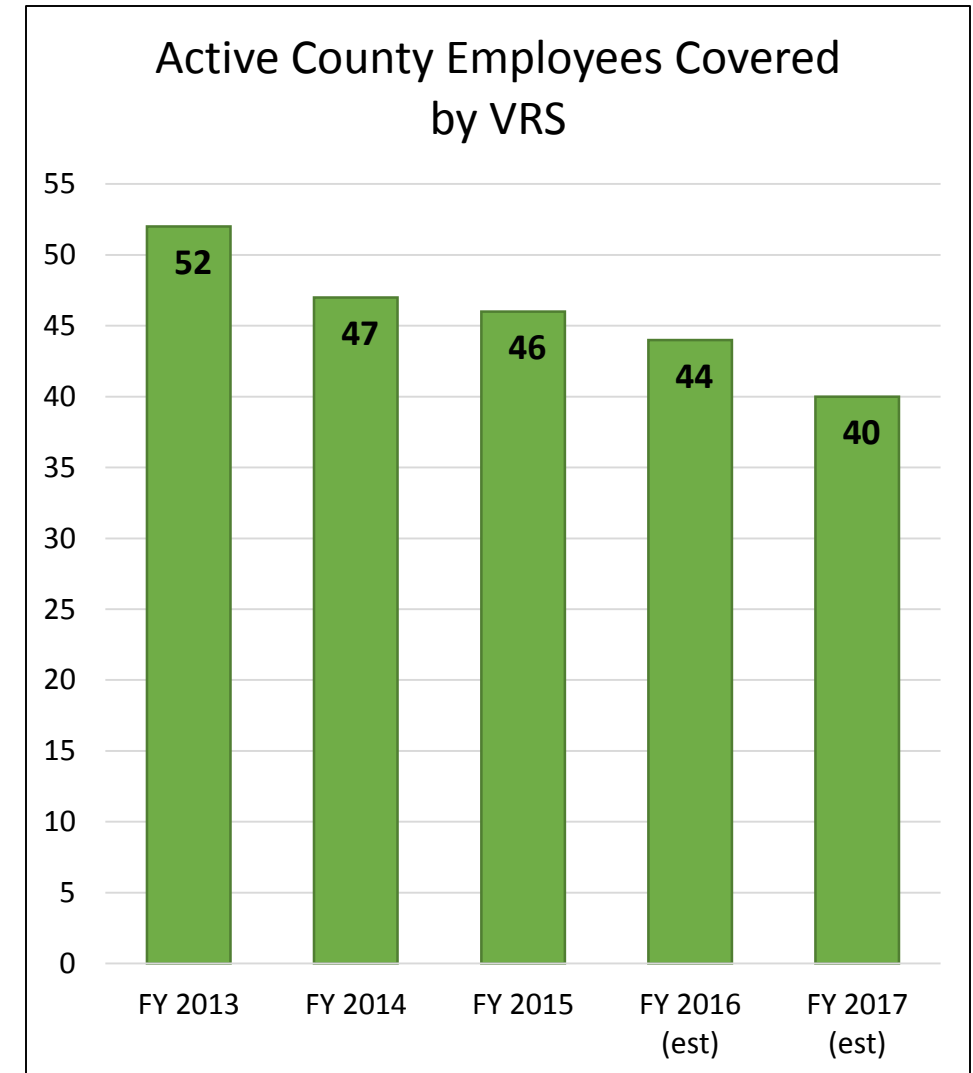
Growth in Employer Contribution Rates since FY 2002





Virginia Retirement System (VRS)

- In FY 1996, 233 Health Department employees were converted from state to County employment.
- These employees remained members of the Virginia Retirement System (VRS), and the County is required to pay employer contributions to VRS for retirement benefits provided to the converted employees.
- The number of County employees who are VRS members has declined to approximately 40 as these employees terminate service with the County.
- More than half of the remaining employees are eligible to retire, and many more are expected to become eligible over the next few years.



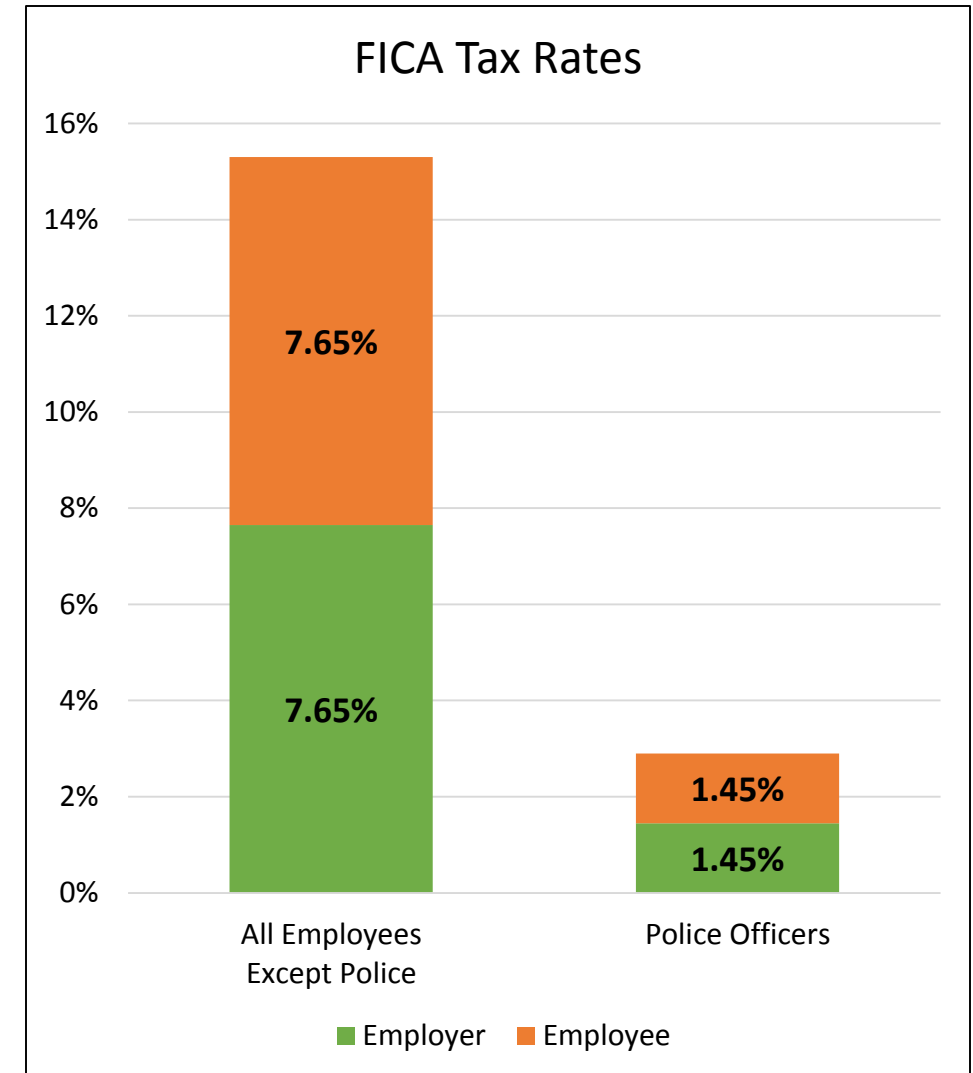


FICA and Deferred Compensation



Social Security and Medicare (FICA)

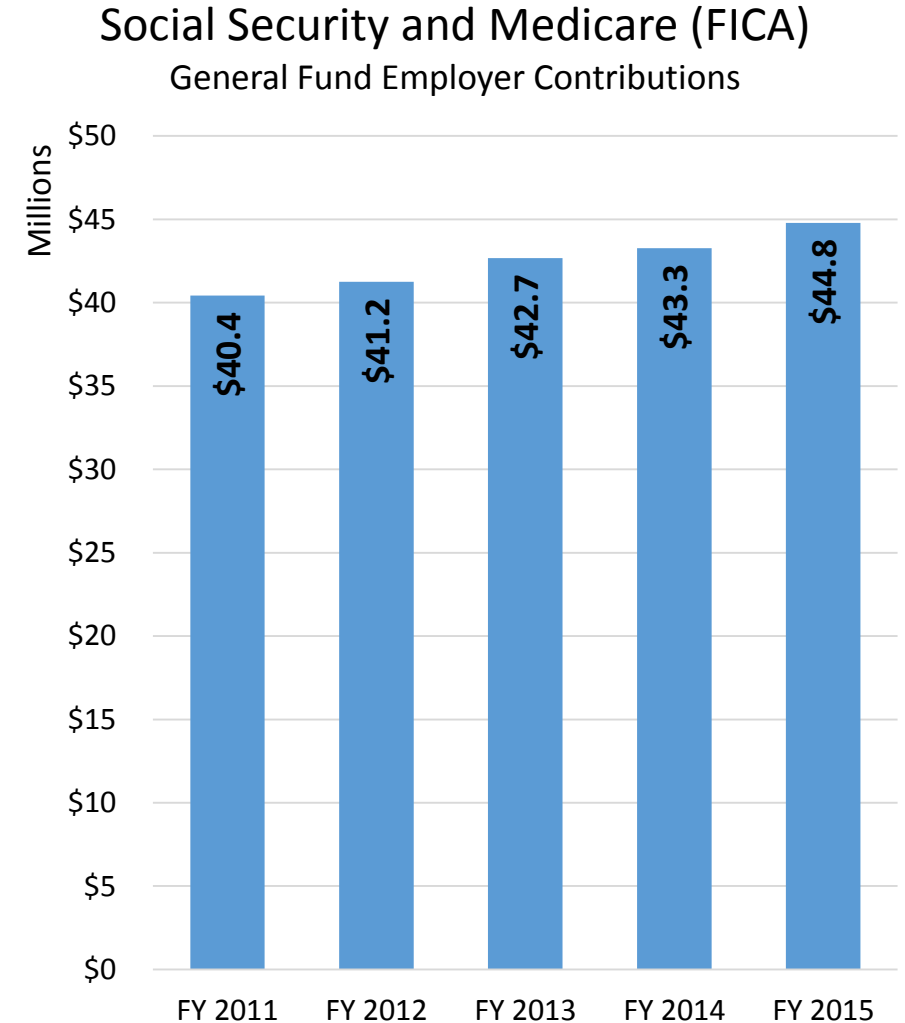
- Federal Insurance Contributions Act (FICA) taxes support Social Security and Medicare benefits.
- Tax rates are set by the federal government.
- The County contributes the employer portion of the tax for eligible employees:
 - 6.20 percent of gross compensation up to the Social Security wage base for Social Security
 - 1.45 percent of gross compensation for Medicare
- Sworn police officers do not participate in Social Security, and therefore only the Medicare portion of the tax is paid for police officers.





Looking Ahead: Social Security and Medicare (FICA)

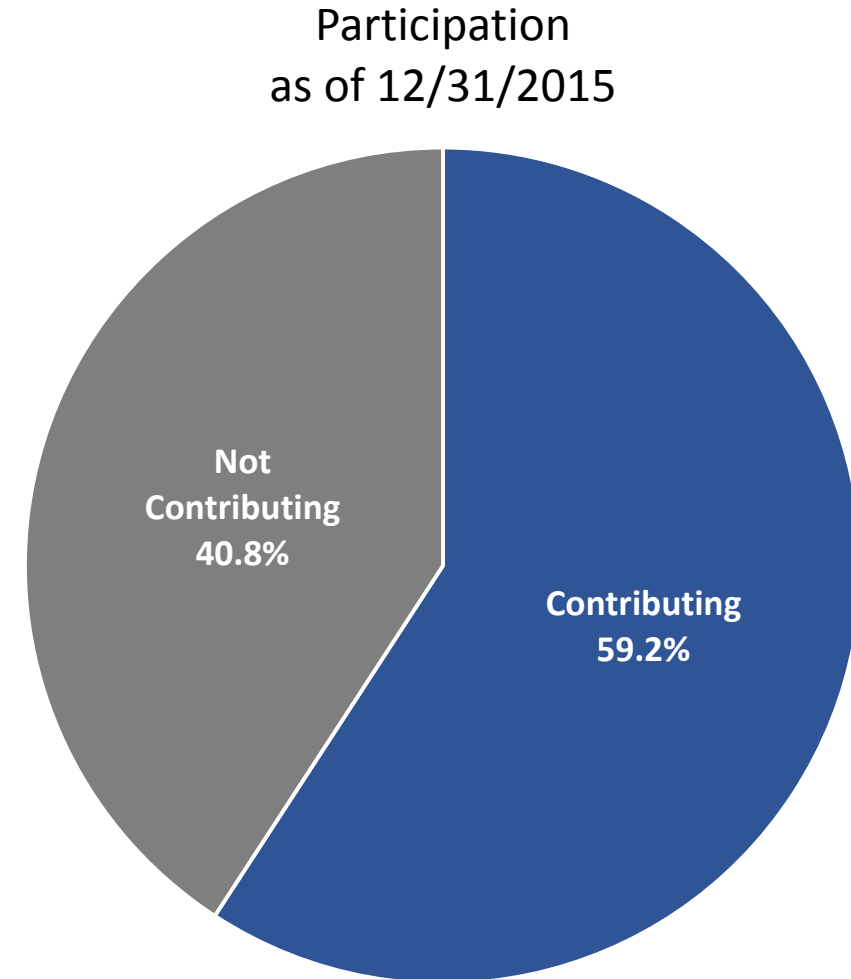
- While FICA tax rates have remained stable, total expenditures for this benefit category are increasing as a result of compensation adjustments.
- Events such as weather emergencies can result in short-term spikes in FICA expenses due to emergency staffing.





Deferred Compensation

- Employees can save a portion of their wages for retirement on a pre- or post-tax basis.
- No employer match is provided.
- New employees are auto-enrolled:
 - 1% initial contribution
 - 1% annual auto-increase, up to 10%
- Average contribution rate for participants is 8.5%
- Total assets of \$904.2 million as of 12/31/2015





Retiree Health



Retiree Health Benefits

- Retirees may remain in the County health, vision and dental plans, but cannot re-enter the plans if they ever elect to terminate coverage.
- Retirees must pay the full premium cost of their coverage.
- Premium rates are set using the blended experience of actives and retirees, resulting in lower premiums for retirees than if they were set solely based on retiree experience. This is considered to be an “implicit subsidy” to retirees.
- Retirees are required to apply for and maintain Medicare Parts A and B when they become eligible, and will then qualify for lower premiums since Medicare becomes the primary payer for claims.



Retiree Health Benefit Subsidy

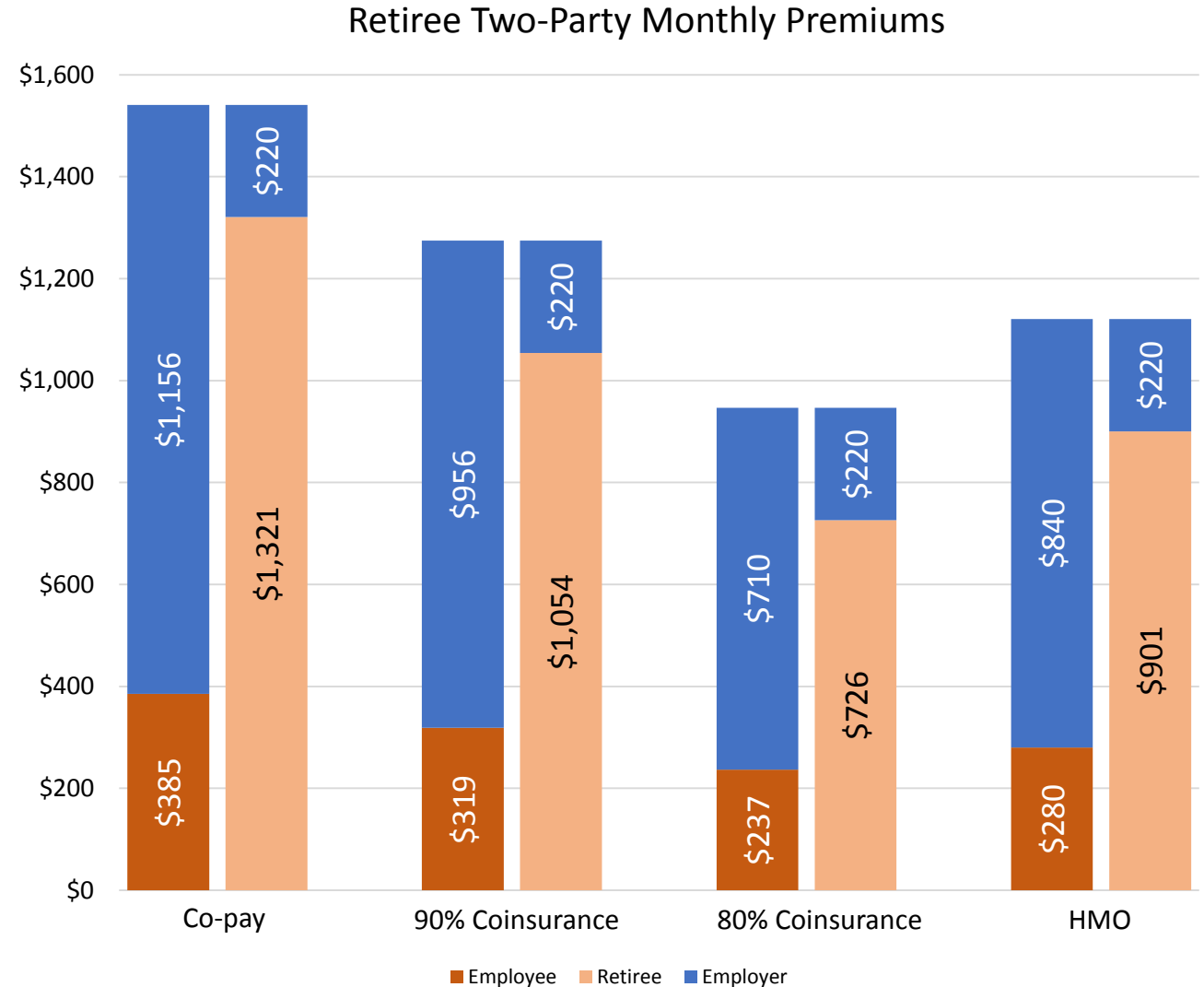
- The Retiree Health Benefit Subsidy is provided to help eligible retirees pay for health insurance.
- The subsidy is not indexed, and was last adjusted January 1, 2006.
- The subsidy structure varies by length of service:

Years of Service at Retirement	Monthly Subsidy
5 to 9	\$30
10 to 14	\$65
15 to 19	\$155
20 to 24	\$190
25 or more	\$220



Retiree Health Costs

- Employees experience a significant increase in the cost of health insurance upon retirement.
- As retirees pay the full premium cost, premium increases have a greater impact on their costs.



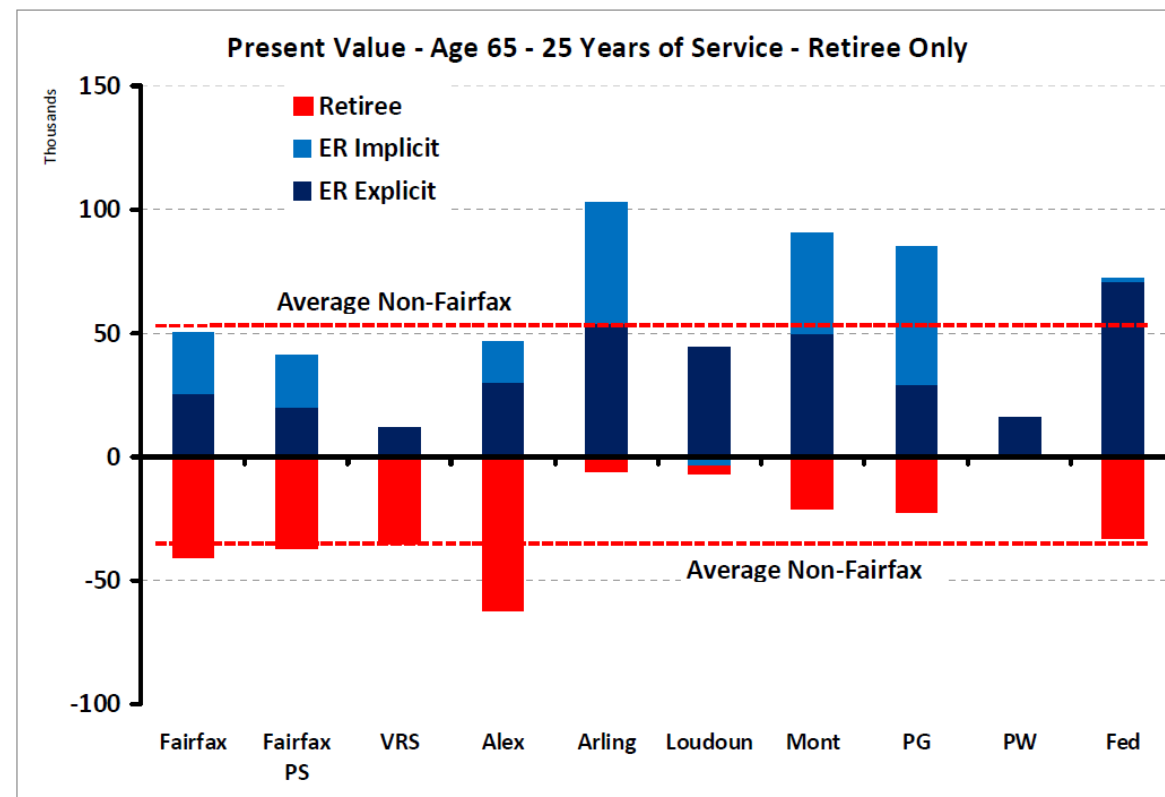
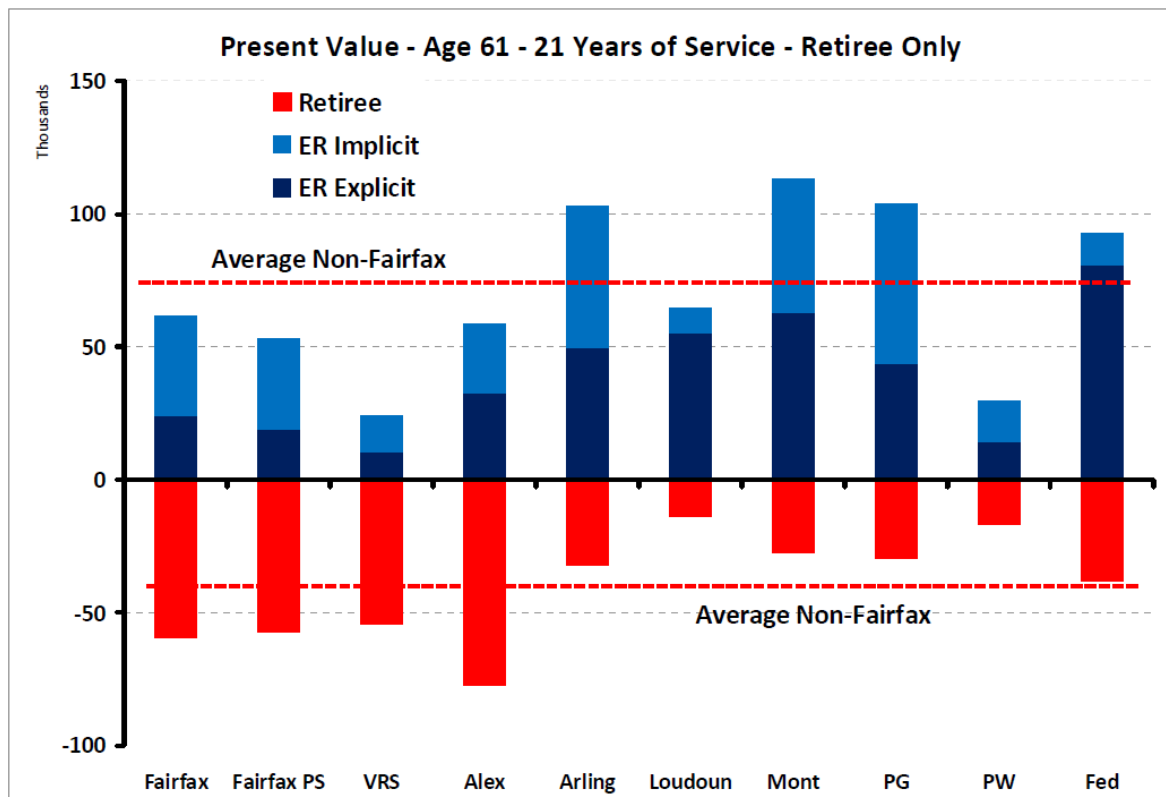


2012 Retirement Study Benchmarking

Retiree Health

Age 61 with 21 years of service

Age 65 with 25 years of service





GASB 45 Liability

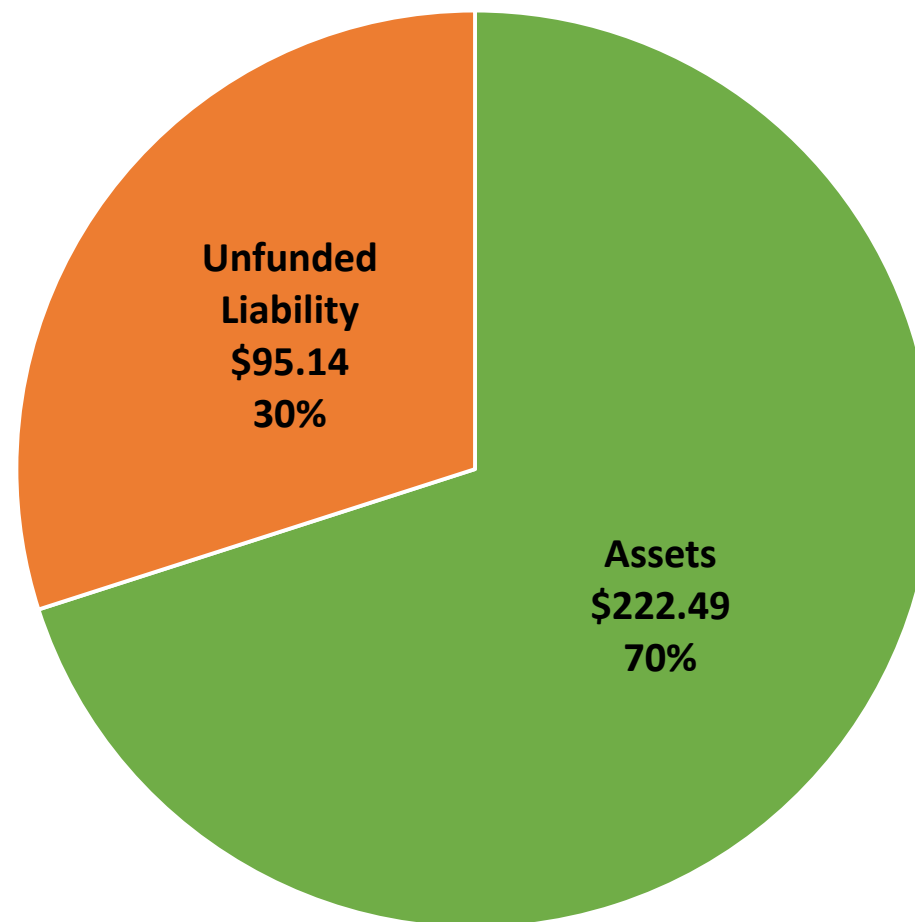
- The County is required under GASB 45 to accrue the costs of other post-employment benefits (OPEBs) during the period of employees' active employment.
 - Includes:
 - Health Insurance
 - Dental Insurance
 - Vision Insurance
 - Life Insurance
 - This is similar to the accounting treatment for pensions.
- The County accounts for its GASB 45 liability in Fund 73030, OPEB Trust.
- A valuation is performed by an outside actuary each year to determine the County's GASB 45 liability.



GASB 45 Liability

- The County's \$317.6 million liability as of July 1, 2015 is the result of three benefits received by retirees:
 - The Retiree Health Benefit Subsidy that is paid to retirees to offset health insurance costs;
 - The medical implicit subsidy that results from premiums being set based on the blended experience of active employees and retirees; and
 - The County contribution of half of the cost of basic life insurance coverage for retirees.

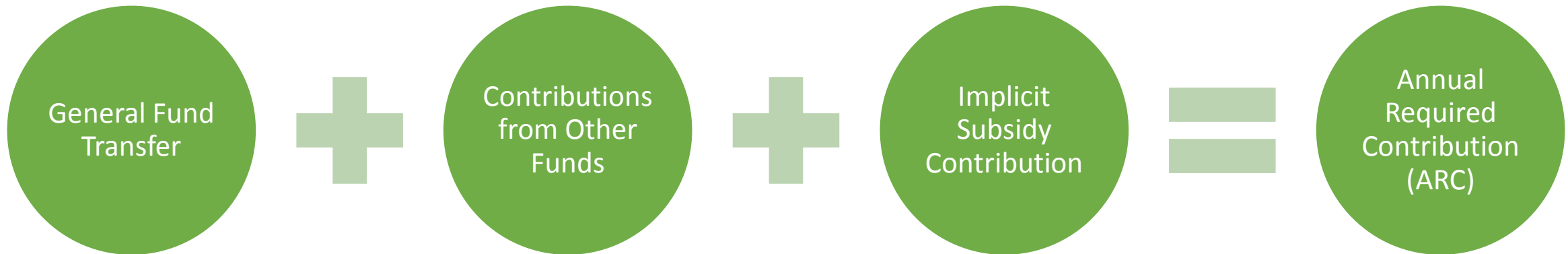
GASB 45 Liability as of July 1, 2015
(in \$ millions)





GASB 45 Liability

- The actuarial valuation is also used to determine the County's Annual Required Contribution (ARC).
- Fully funding the ARC each year demonstrates that the County is meeting its GASB 45 obligations. Similar to recent developments in pension reporting, future GASB rules will shift focus to the funded ratio.
- The ARC is funded each year through the combination of a General Fund transfer and contributions from other funds. In addition, the County is given credit for an "implicit subsidy contribution" toward the ARC as a result of the blending of active and retiree premiums.

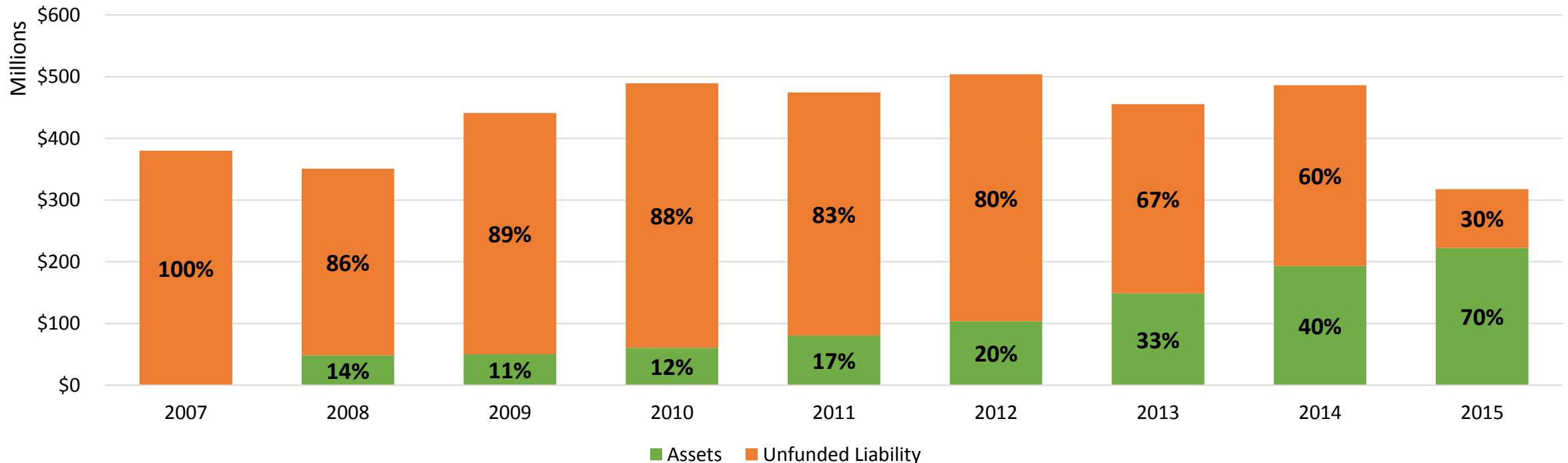




GASB 45 Liability – Funding Progress

- The County has made consistent progress toward funding its OPEB liabilities by funding the ARC each year.
- The liability was significantly reduced as of the July 1, 2015 valuation as a result of the implementation of an Employer Group Waiver Plan (EGWP).

Assets and Unfunded Liability as of July 1





Employer Group Waiver Plan

- The County implemented an EGWP for Medicare retiree prescription drug coverage in January 2016.
 - The EGWP is a standard Medicare Part D plan with enhanced coverage.
 - Implementation of the plan was accomplished with minimal disruption to current retirees.
- The EGWP has had a significant impact on the County's GASB 45 liability.
 - EGWP allows the County to maximize prescription drug subsidies from the federal government and pharmaceutical manufactures, which replace the Retiree Drug Subsidy (RDS) that the County previously received.
 - GASB accounting rules allow EGWP revenue to directly offset plan costs in the actuarial valuation, whereas the RDS could not be reflected in the liability calculations.
- The impact reflected in the July 1, 2015 valuation is based on projected cash flows prior to implementation of the plan. As such, fluctuation in the valuation results is expected over the next several years based on the plan's actual experience.
- As a result of the EGWP implementation, recurring savings of \$10 million in the General Fund and \$2 million in other County funds have been realized in the FY 2017 budget. In addition, one-time savings of \$5 million were realized as part of the *FY 2016 Third Quarter Review*.
- As part of the development of the FY 2018 budget, consideration will be given to using a portion of this savings to increase the Retiree Health Benefit Subsidy.



Looking Ahead: Retiree Health Benefits

- Health care costs have historically outpaced inflation.
- The healthcare market continues to evolve.
- Future considerations could include:
 - Introduction of lower-cost plans for retirees
 - Options to better integrate with Medicare
 - Public exchanges or individual market exchange if they are stable and viable
- Impacts of the Cadillac Tax

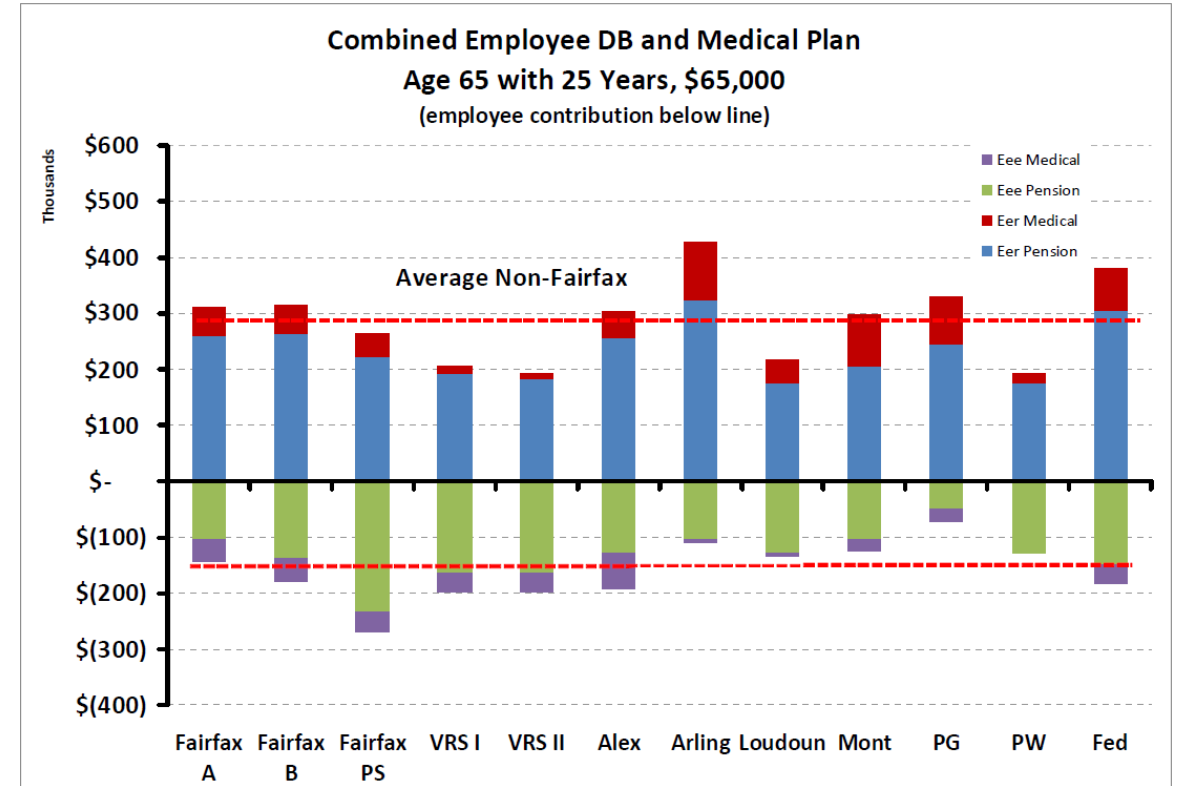
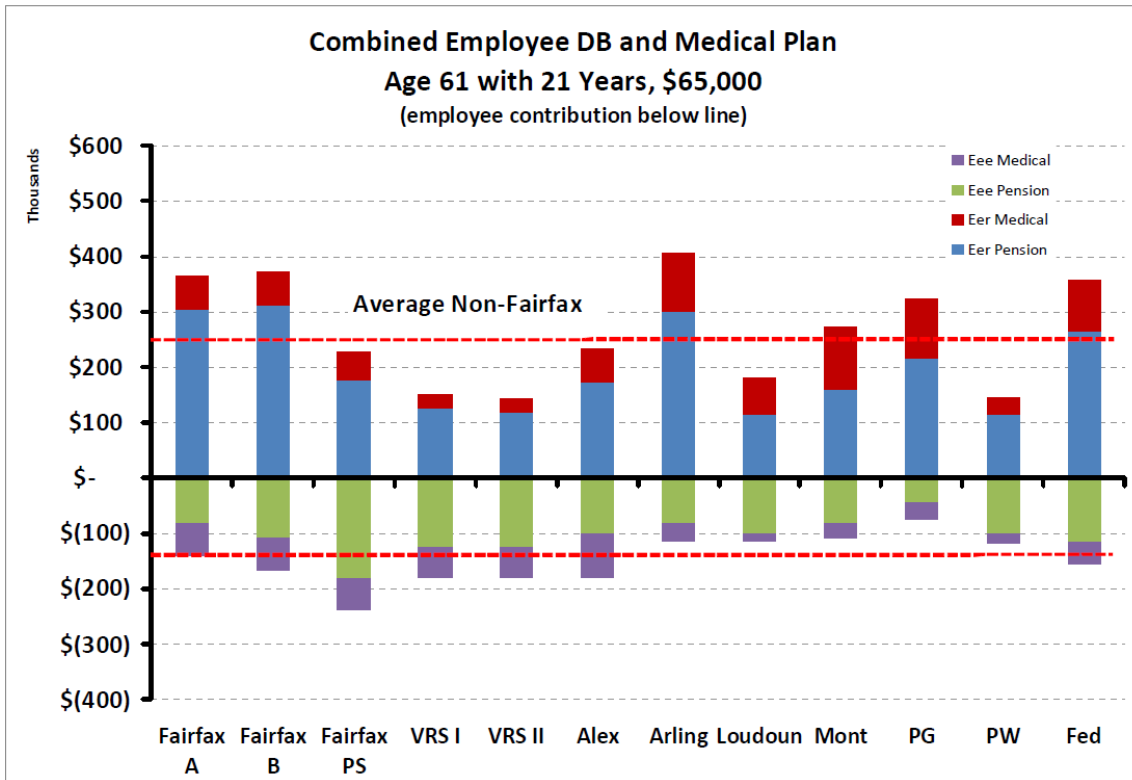


2012 Retirement Study Benchmarking – Combined

Employees' System

Age 61 with 21 years of service, \$65,000 salary

Age 65 with 25 years of service, \$65,000 salary

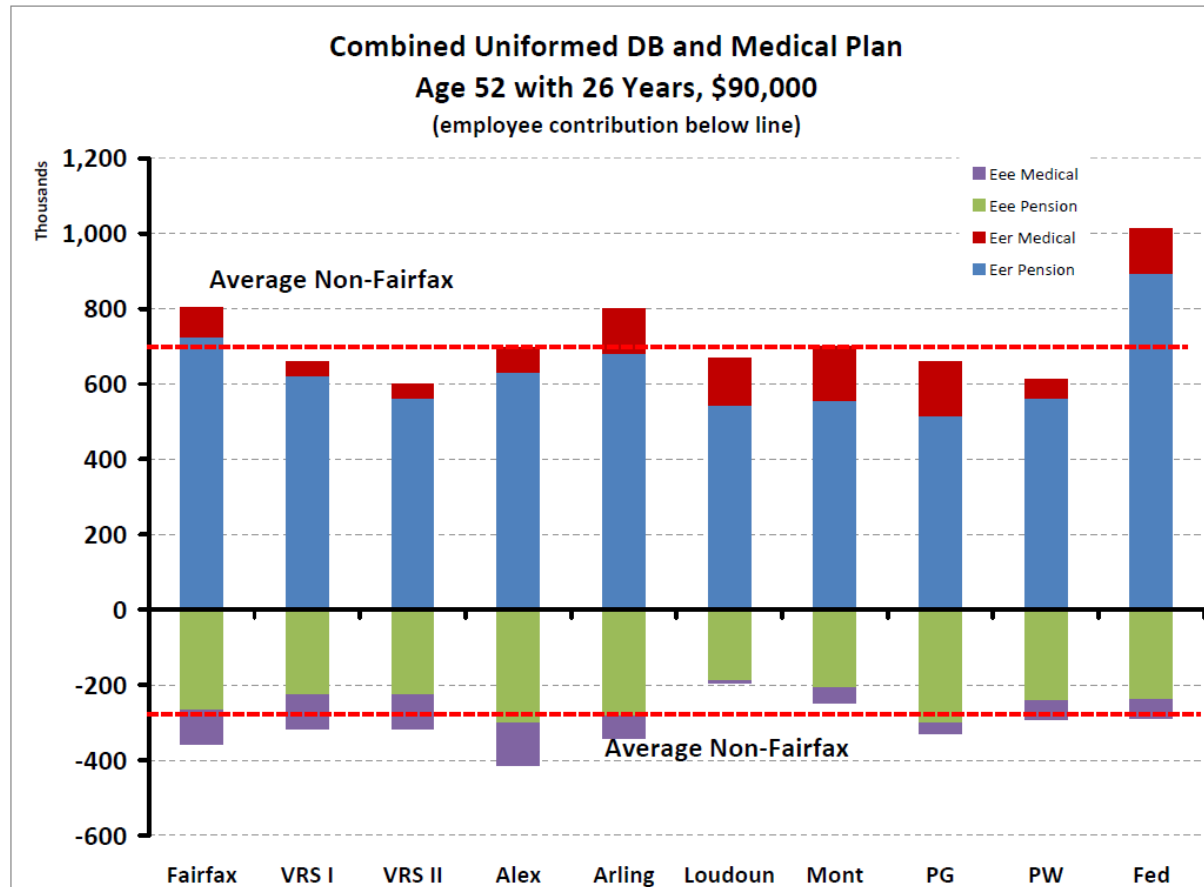




2012 Retirement Study Benchmarking – Combined

Uniformed System

Age 52 with 26 years of service, \$90,000 salary

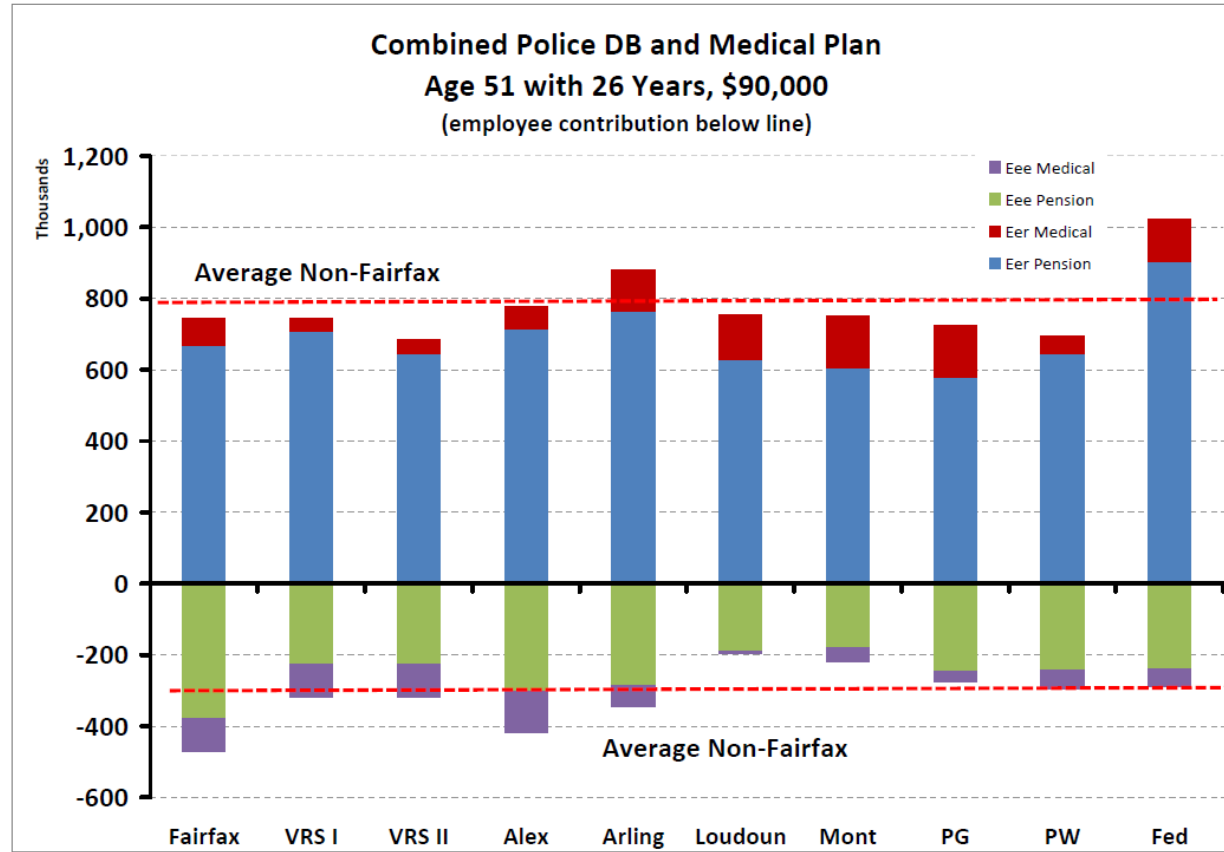




2012 Retirement Study Benchmarking – Combined

Police Officers System

Age 51 with 26 years of service, \$90,000 salary





OTHER EMPLOYEE BENEFITS



Other Benefits Overview

- Major categories include:
 - Health Insurance
 - Dental Insurance
 - Life Insurance
 - Line of Duty
 - Employee Development
 - Employee Leave

- Over the past 10 years, non-retiree related Employee Benefits have grown, on average, 6.1% annually

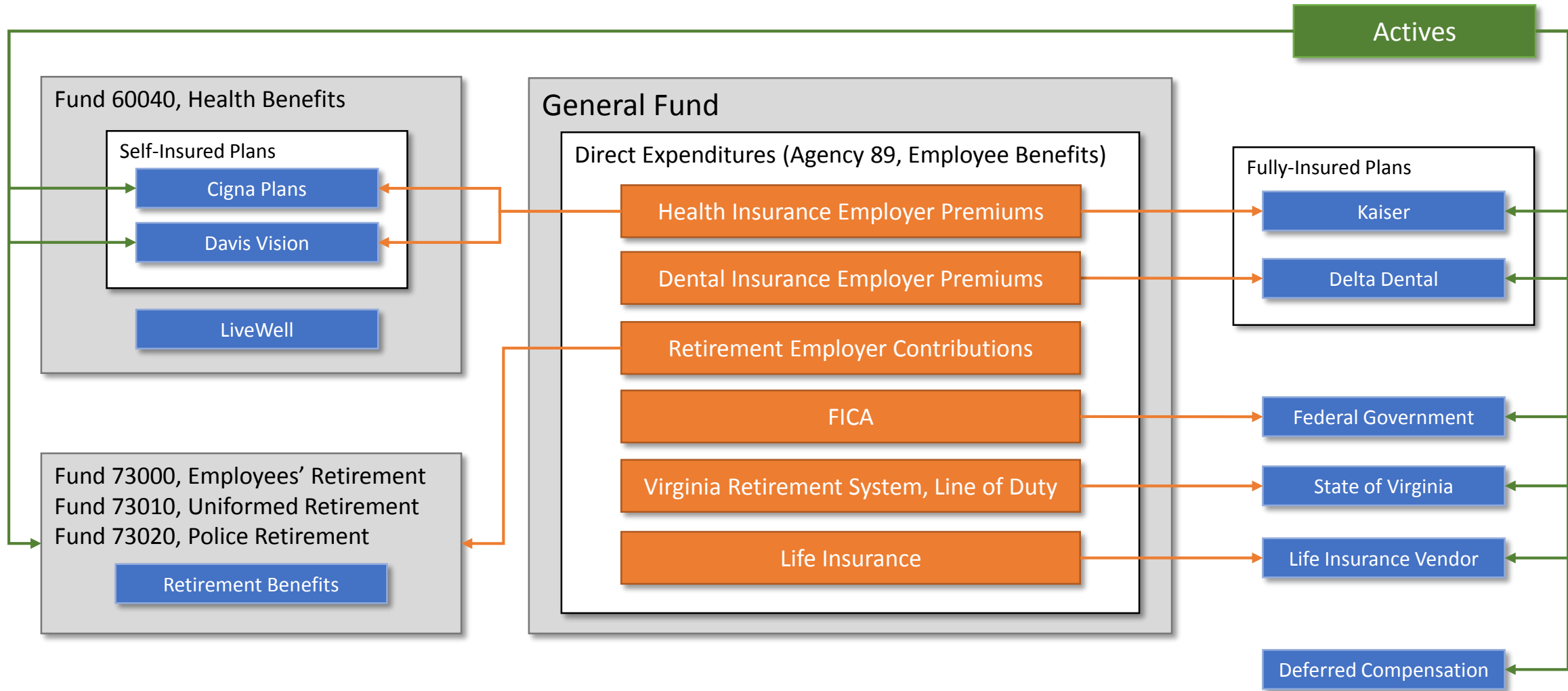
Other Employee Benefits (In \$millions)

General Fund Adopted Budget	FY 2007	FY 2017	% Annual Increase
Health Insurance	\$59.23	\$106.66	6.1%
Dental Insurance	\$2.40	\$4.15	5.6%
Life Insurance	\$1.91	\$1.49	(2.4%)
Line of Duty	\$0.00	\$1.25	--
Flexible Spending Accounts	\$0.00	\$0.13	--
Unemployment Compensation	\$0.44	\$0.18	(8.5%)
Capital Project Reimbursements	(\$1.29)	(\$0.98)	(2.8%)
Employee Assistance Program*	--	\$0.25	--
Tuition Reimbursement*	--	\$0.36	--
Total Other Employee Benefits	\$62.69	\$113.49	6.1%

* Classified as Operating Expenses in FY 2007



Financial Flow for Other Employee Benefits





Health Insurance



Health Insurance

Plan Design

	Kaiser Health Maintenance Organization (HMO)	Open Access Plus Co-Pay Plan	Open Access Plus 90% Co-Insurance Plan	Open Access Plus 80% Co-Insurance Plan	MyChoice Consumer-Directed Health Plan (CDHP)
Primary Care Physician Visit	\$10 copay	\$25 copay	90% coinsurance after deductible	80% coinsurance after deductible	90% coinsurance after deductible
Specialty Care	\$10 copay	\$50 copay	90% coinsurance after deductible	80% coinsurance after deductible	90% coinsurance after deductible
Annual Deductible	\$0	\$0	\$100 Individual \$200 Family	\$250 Individual \$500 Family	\$1,300 Individual \$2,600 Family
Annual Out-of-Pocket Maximum	\$3,500 Individual \$9,400 Family	\$2,000 Individual \$4,000 Family	\$1,500 Individual \$3,000 Family	\$2,000 Individual \$4,000 Family	\$4,000 Individual \$8,000 Family
Employer HSA Contribution	n/a	n/a	n/a	n/a	\$520 Individual \$1,040 Family
Employee Share of Bi-Weekly Premium	\$39.81 Individual \$129.30 2-Party \$192.35 Family	\$54.71 Individual \$177.81 2-Party \$265.32 Family	\$44.89 Individual \$147.05 2-Party \$216.25 Family	\$33.60 Individual \$109.20 2-Party \$162.97 Family	\$31.93 Individual \$103.79 2-Party \$154.88 Family
Participants	1,993 Actives 288 Retirees	6,372 Actives 1,774 Retirees	1,322 Actives 869 Retirees	831 Actives 881 Retirees	281 Actives 0 Retirees

* All benefits shown reflect in-network coverage. Participant out-of-pocket expenses are generally higher for services from out-of-network providers. HMO does not cover services from out-of-network providers.



Health Insurance

Plan Design Benchmarking – PPO/POS

	In-Network Office Visit Copays		
	Primary Care	Specialist	ER Copays
Fairfax County Government	10%-20% after ded; \$25	10%-20% after ded; \$50	10%-20% after ded; \$200
Anne Arundel County Government	\$15 Preferred/\$25 IN	\$35 Preferred/\$50 IN	\$75
Anne Arundel County Public Schools	\$10-15	\$15	\$25-50
Baltimore City Government	\$5-\$25	\$5-\$40	10% after ded; \$50
Baltimore County Government	\$15	\$25	\$50
City of Alexandria	\$15	\$25	\$150
DC Government	\$15	\$30	\$100
Fairfax County Public Schools	\$20 after ded	\$20-\$40 after ded	\$150 then 10%
Howard County Government	\$20 + 10% coins	\$20 + 10% coins	\$100 + 10% coins
Loudoun County Government	\$20	\$35	\$150
Montgomery County Government	\$10-\$15	\$10-\$30	\$25-\$35
Montgomery County Public Schools	\$10-\$15	\$15-\$20	\$100
Prince George's County Government	\$30	\$35	\$150
Prince George's County Public Schools	\$20	\$30	\$75

Source: Aon Hewitt, 2016



Health Insurance

Plan Design Benchmarking – PPO/POS

	Rx Drug Copays (Retail)		
	Generic	Preferred	Non-Preferred
Fairfax County Government	\$7	20% coins (maximum \$50)	30% coins (maximum \$100)
Anne Arundel County Government	\$5	\$25	\$35
Anne Arundel County Public Schools	\$5	\$15	\$25
Baltimore City Government	\$5-\$15	\$20-\$30	\$30-\$50
Baltimore County Government	\$12	\$30	\$45
City of Alexandria	\$15	\$30	\$50
DC Government	\$10	\$20	\$40
Fairfax County Public Schools	\$7	20% coins (maximum \$50)	20% coins (maximum \$50)
Howard County Government	\$10	\$30	\$50
Loudoun County Government	\$7	\$28	\$50
Montgomery County Government	\$4-\$10	\$4-\$20	\$8-\$35
Montgomery County Public Schools	\$5	\$20	\$35
Prince George's County Government	\$10	20% coins (\$20 min/\$50 max)	30% coins (\$40 min/\$50 max)
Prince George's County Public Schools	\$5	\$20	\$35

Source: Aon Hewitt, 2016

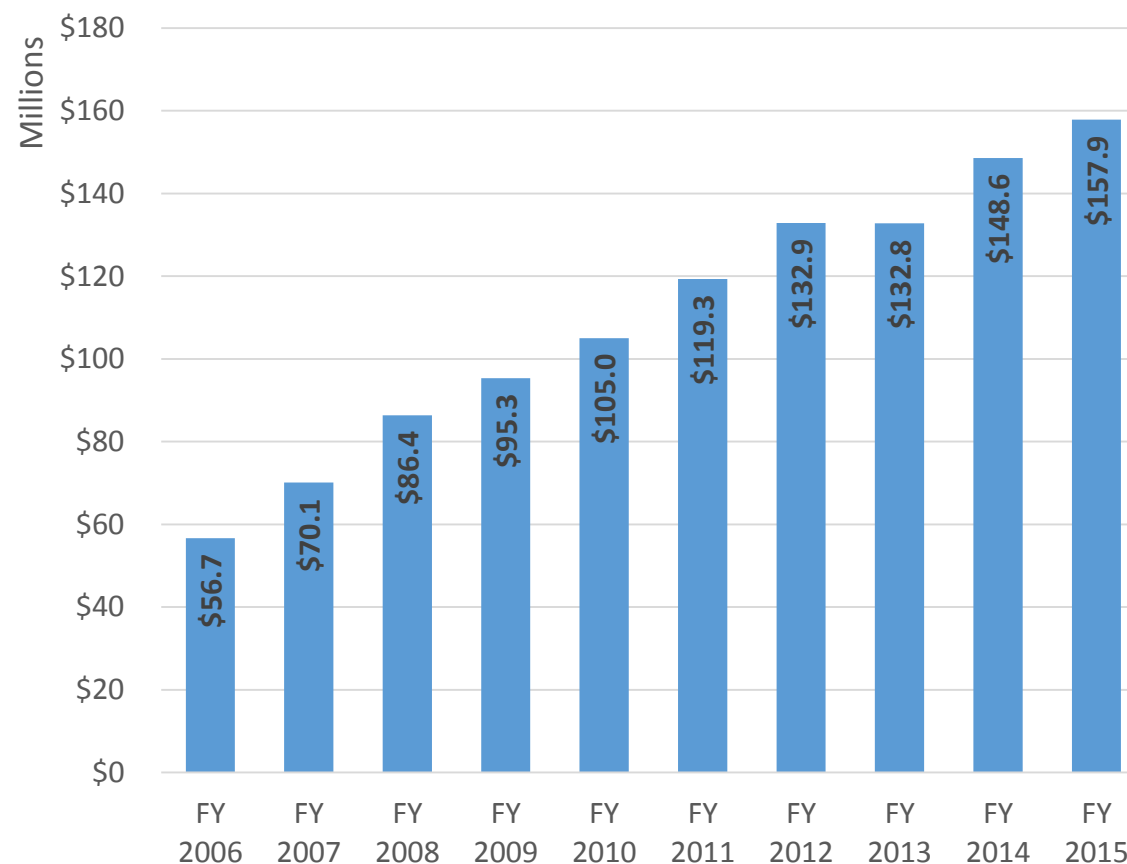


Health Insurance

Claims Growth

- Total claims in the self-insured plans have increased in all but one of the past ten years.
 - FY 2013 claims growth was flat as a result of brand-name prescription drugs coming off patent.
- Claims can be controlled in the long-term by:
 - Reducing total health expenditures
 - Healthier covered population
 - More informed consumers
 - Increasing out-of-pocket expenses
 - Higher copays, coinsurance, and deductibles

Total Claims
in Self-Insured Health Plans



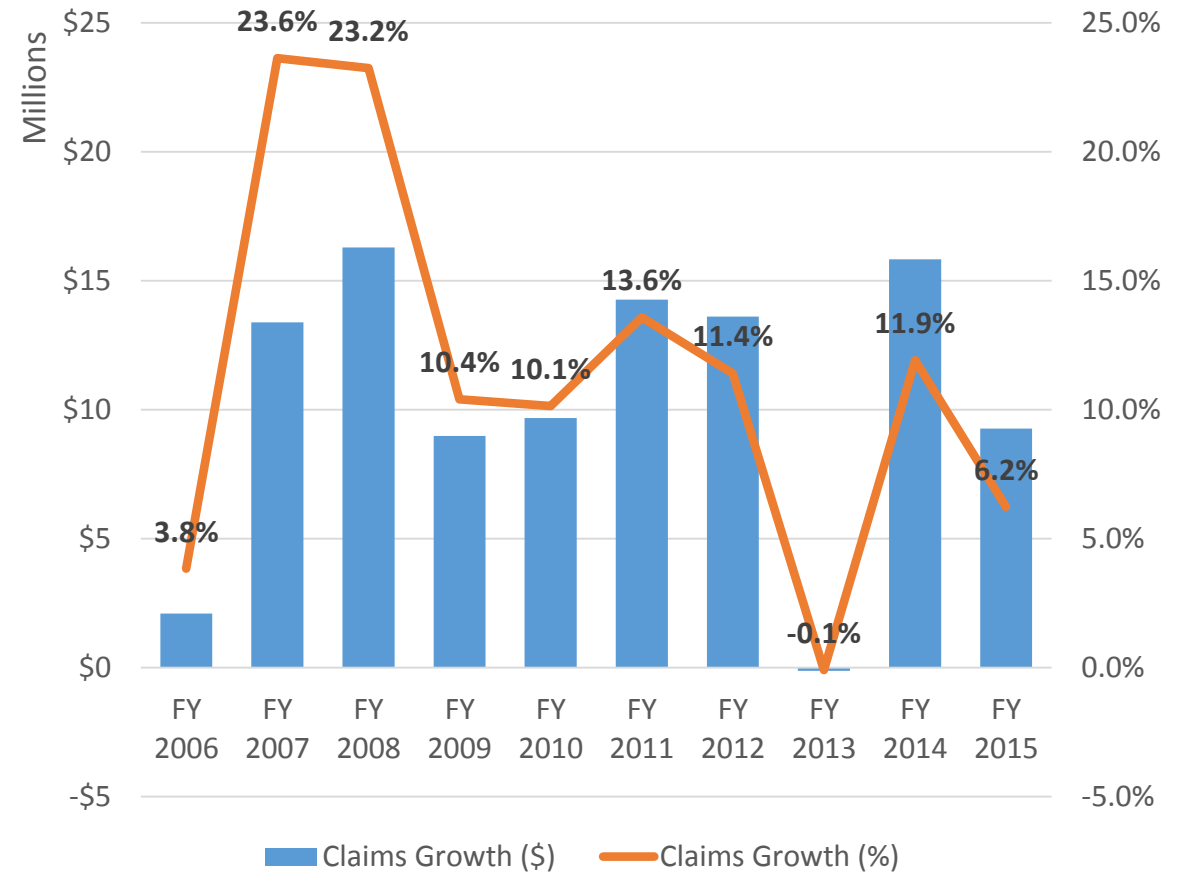


Health Insurance

Claims Growth

- The year-over-year increase in claims has fluctuated greatly.
 - Range from (0.01%) to 23.6%
 - Single year increases up to \$16.3 million

Change in Total Claims over Prior Year in Self-Insured Health Plans





Health Insurance

Plan Design Changes

CY 2012

2 Copay plans

- \$10-15 primary copays
- \$15-25 specialist copays

1 HMO

- \$10 primary copays
- \$10 specialist copays

1 Coinsurance plan

- 90% coinsurance
- \$250/\$500 deductible

CY 2016

1 Copay plan

- \$25 primary copays
- \$50 specialist copays

1 HMO

- \$10 primary copays
- \$10 specialist copays

2 Coinsurance plans

- 80-90% coinsurance
- \$100/\$200-\$250/\$500 deductible

1 CDHP w/ HSA

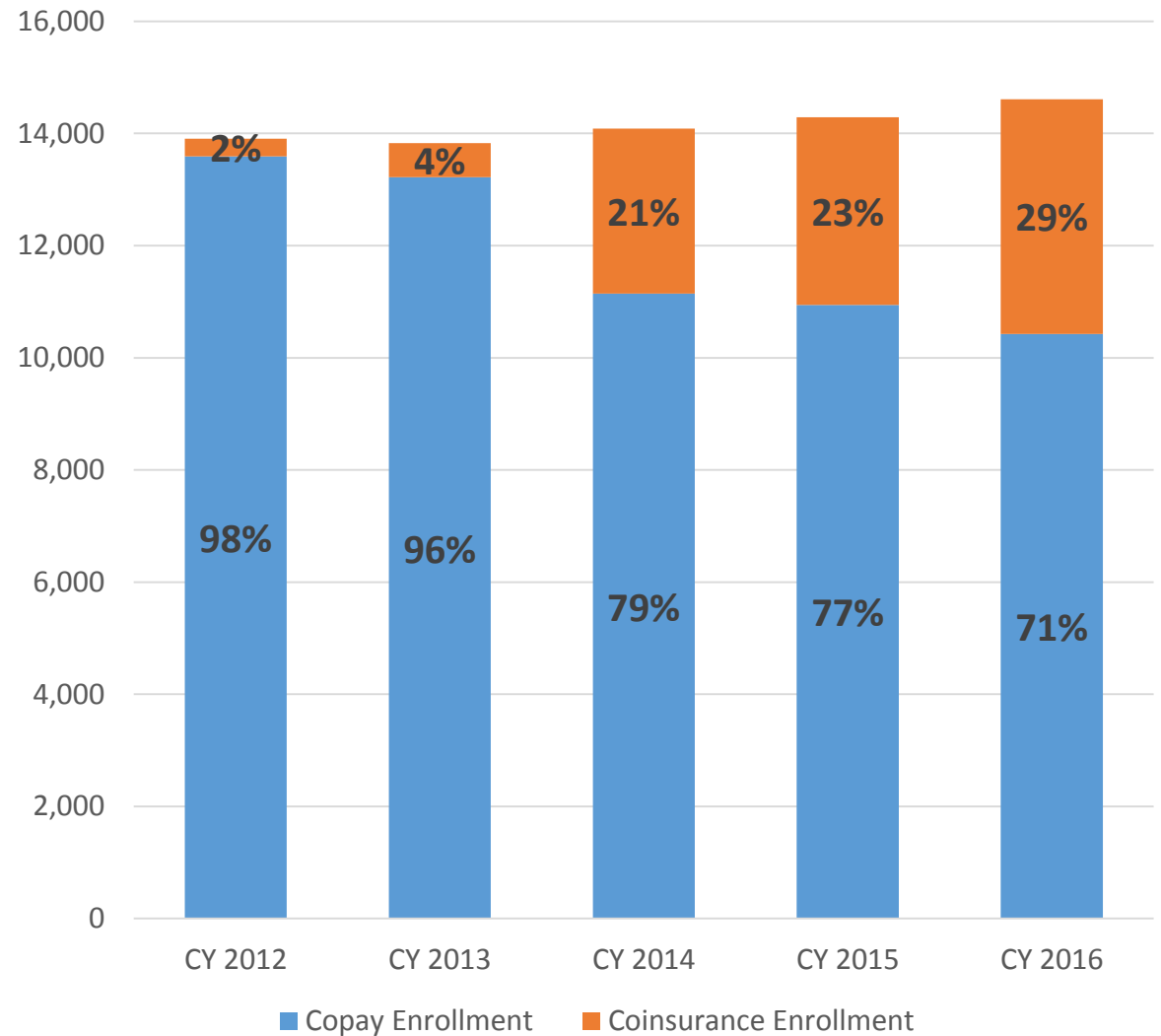
- 90% coinsurance
- \$1,300/\$2,600 deductible



Health Insurance

Migration to Coinsurance

- In copay plans, the participant pays a flat dollar amount for office visits.
- In coinsurance plans, the participant pays a percentage of the total bill.
 - Increased awareness of cost of care
 - Incentive to find more cost-effective treatment options

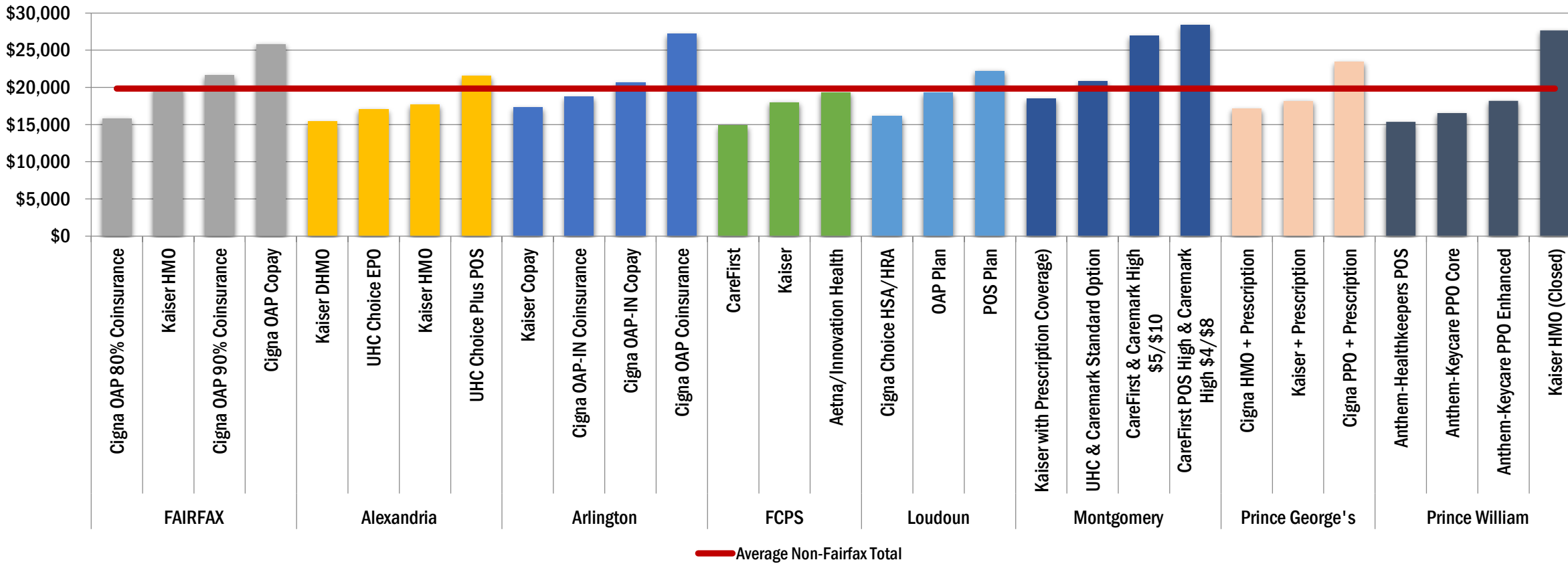




Health Insurance

Comparison of Total Premium Costs to Other Jurisdictions

Total Premium Costs - Family Coverage (Plan Year 2015)





Health Insurance

Cost Sharing

- The County contributes a percentage of the premium cost for health insurance depending on the tier of coverage selected:

	Employer	Employee
Individual	85%	15%
2-Party	75%	25%
Family	75%	25%

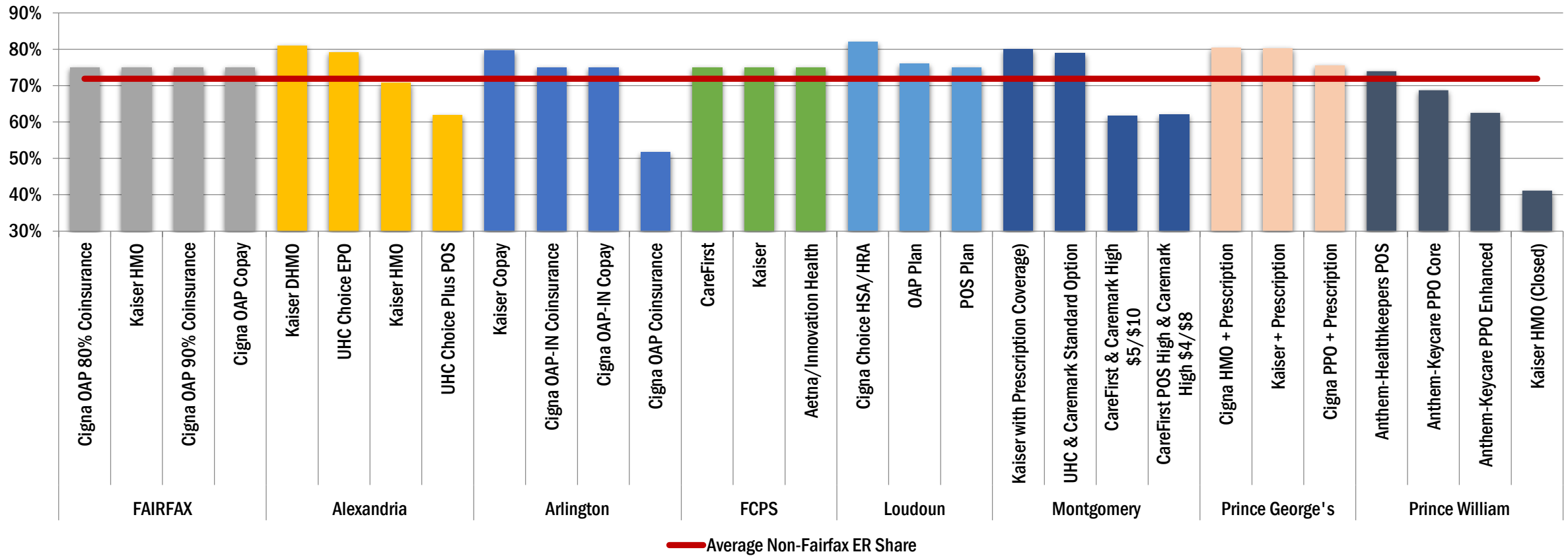
- While other jurisdictions have a similar cost-sharing percentage, many have adopted different strategies for applying the cost share:
 - Lower cost-share percentages for higher-cost plans
 - Flat dollar employer contributions regardless of plan choice



Health Insurance

Comparison of Cost Sharing Percentages to Other Jurisdictions

Employer Paid Share of Premiums - Family Coverage (Plan Year 2015)

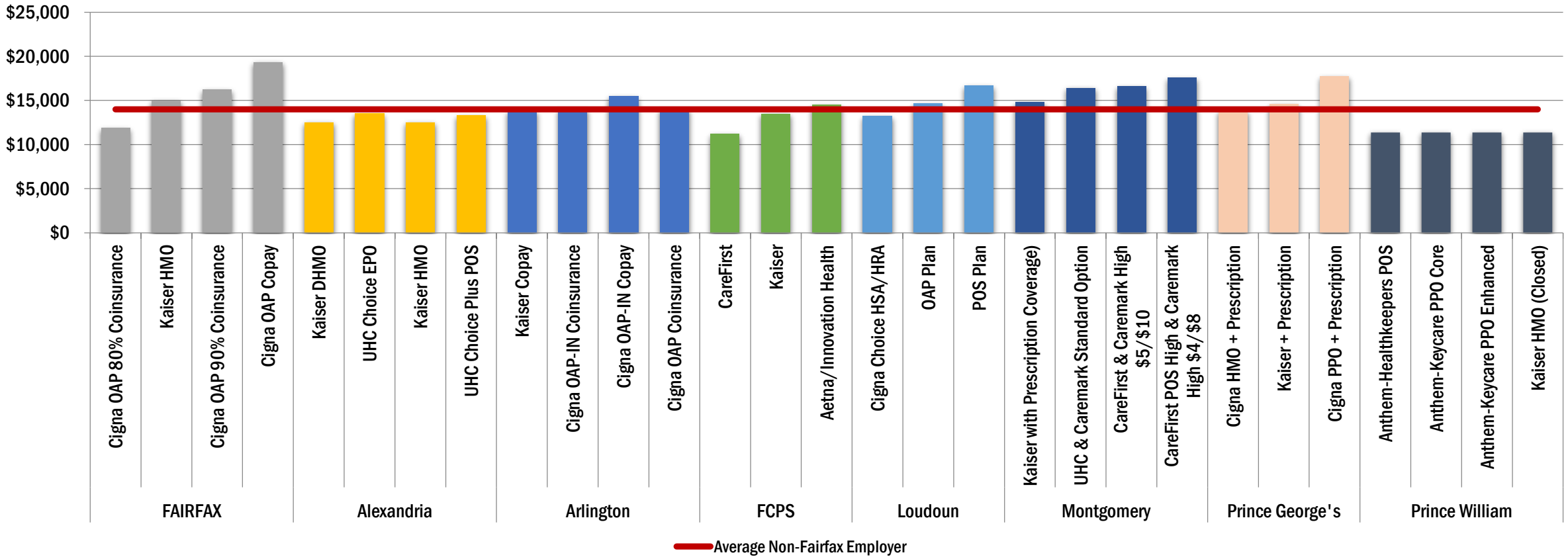




Health Insurance

Comparison of Employer Premium Costs to Other Jurisdictions

Total Employer Paid Premiums - Family Coverage (Plan Year 2015)





Health Insurance

Self-Insurance

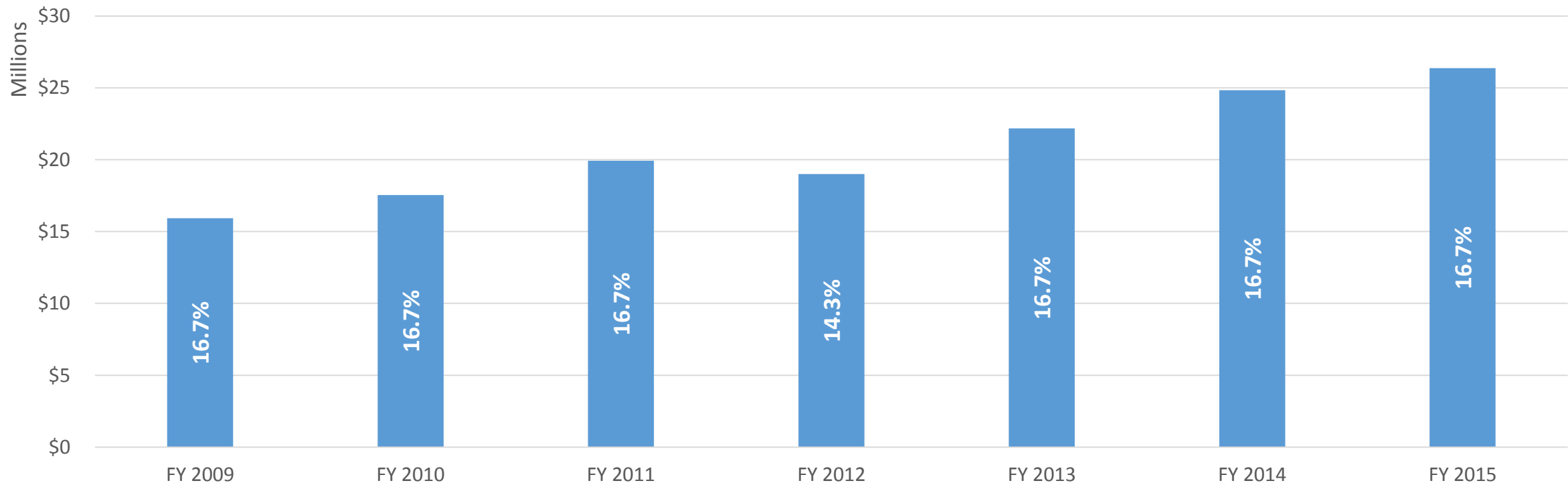
- The County self-insures all of its health plans except for the HMO.
 - Allows the County to set premiums
 - The County is ultimately responsible for plan liabilities
- The self-insured plans are managed through Fund 60040, Health Benefits.
- Adequate reserves are critical to ensuring that the County is not adversely impacted by unexpectedly high claims:
 - Unreserved Ending Balance
 - Premium Stabilization Reserve



Health Insurance

Unreserved Ending Balance

- The Unreserved Ending Balance has a targeted balance equal to two months, or 16.7 percent, of claims.
- A portion of the Unreserved Ending Balance was used in FY 2012, when higher than anticipated claims growth caused the balance to decline to 14.3 percent. The reserve returned to its 16.7 percent target in FY 2013.

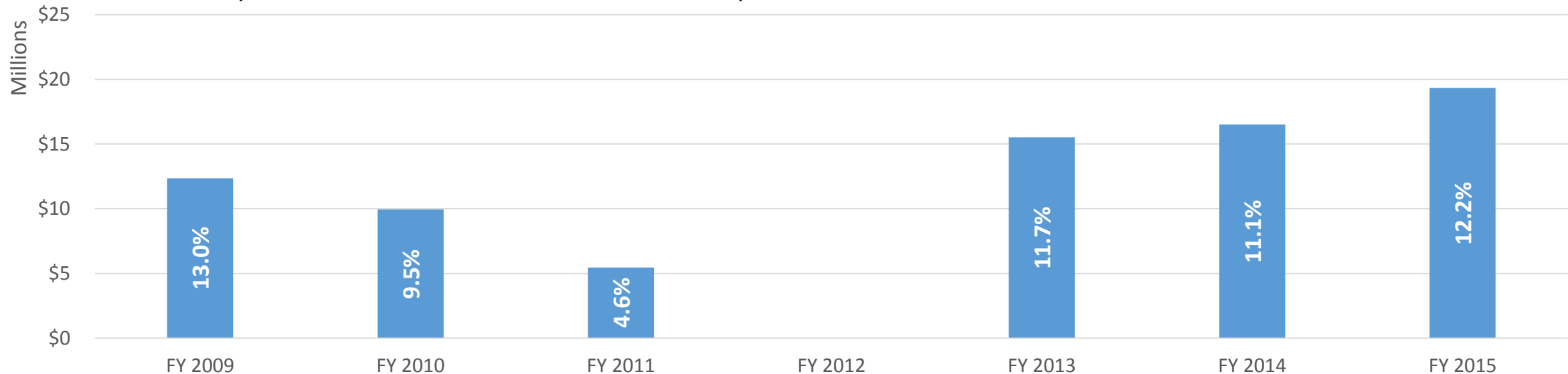




Health Insurance

Premium Stabilization Reserve

- The Premium Stabilization Reserve was created in FY 2005 to mitigate the impact of unanticipated cost increases.
- The reserve allows the County to absorb large swings in claims growth without resorting to dramatic premium increases in a single year. The reserve is funded by excess revenues in years when total revenues from the self-insured plans exceed expenses.
- The reserve was tapped in FY 2007 and FY 2009 to allow premiums to be held flat despite rising claims expenses. Additional funds were used from the reserve through FY 2012, when the reserve was depleted as a result of higher than anticipated claims growth.
- Lower than anticipated claims in FY 2013 resulted in a replenishment of the reserve.





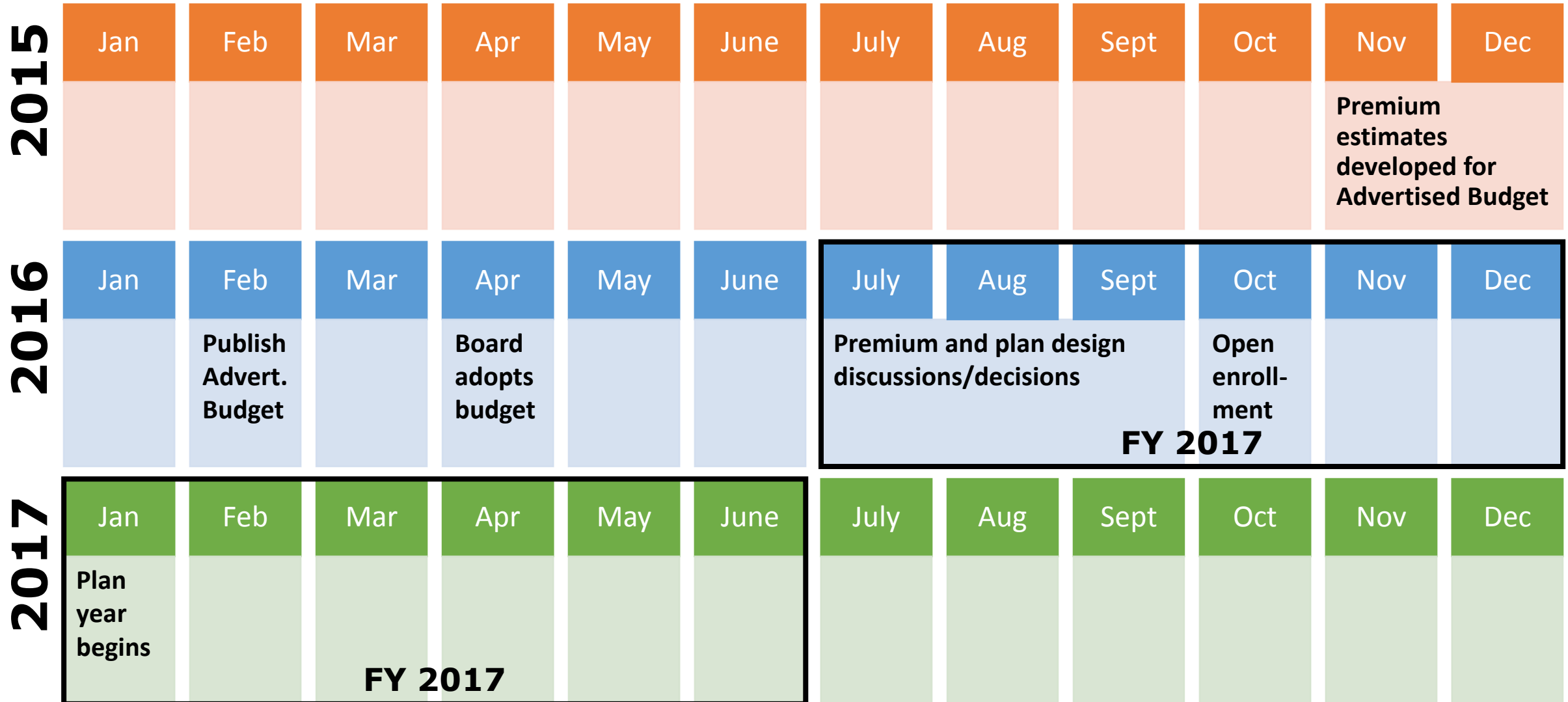
Health Insurance

Premium Setting and Plan Design Goals

- Premium revenue covers plan expenditures
- Increases are not overly burdensome to plan participants
- Plan designs are responsive to participant needs
- Plan design adjustments change behavior to better control cost
- Premiums are set at a level that does not substantially increase the GASB 45 liability
- Reserves are maintained at adequate levels



CY 2017 Premium Setting Calendar

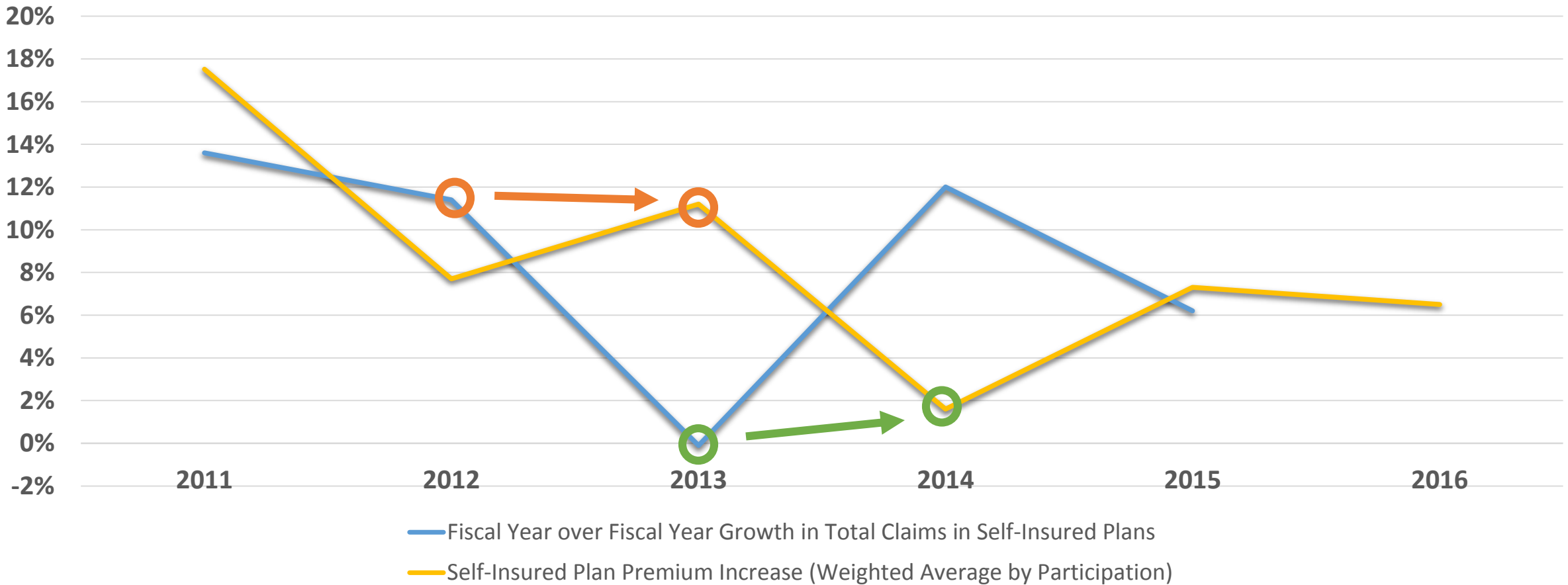




Health Insurance

Premium Setting: Plan Experience

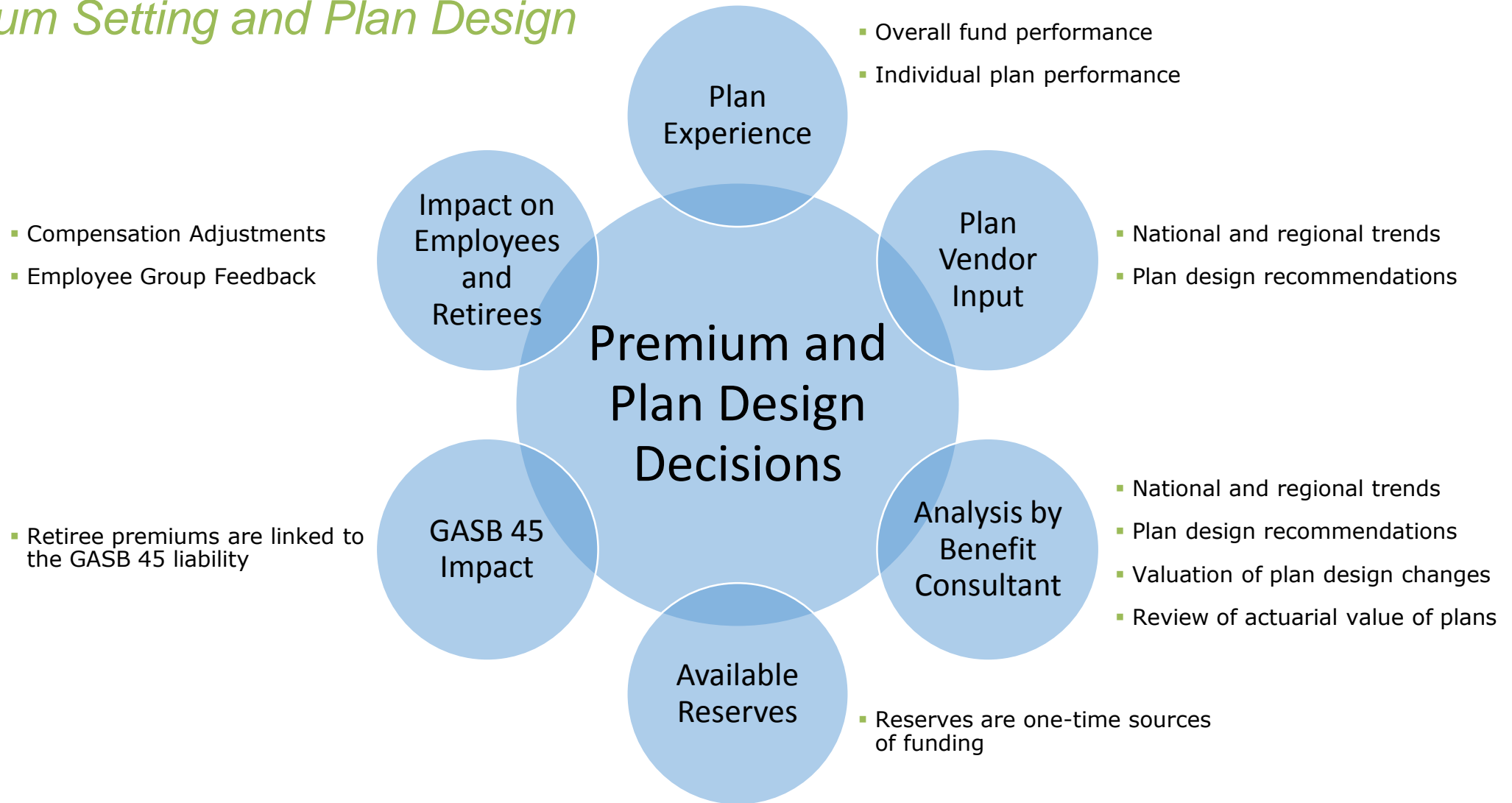
Claims Growth Compared to Actual Premium Increases





Health Insurance

Premium Setting and Plan Design





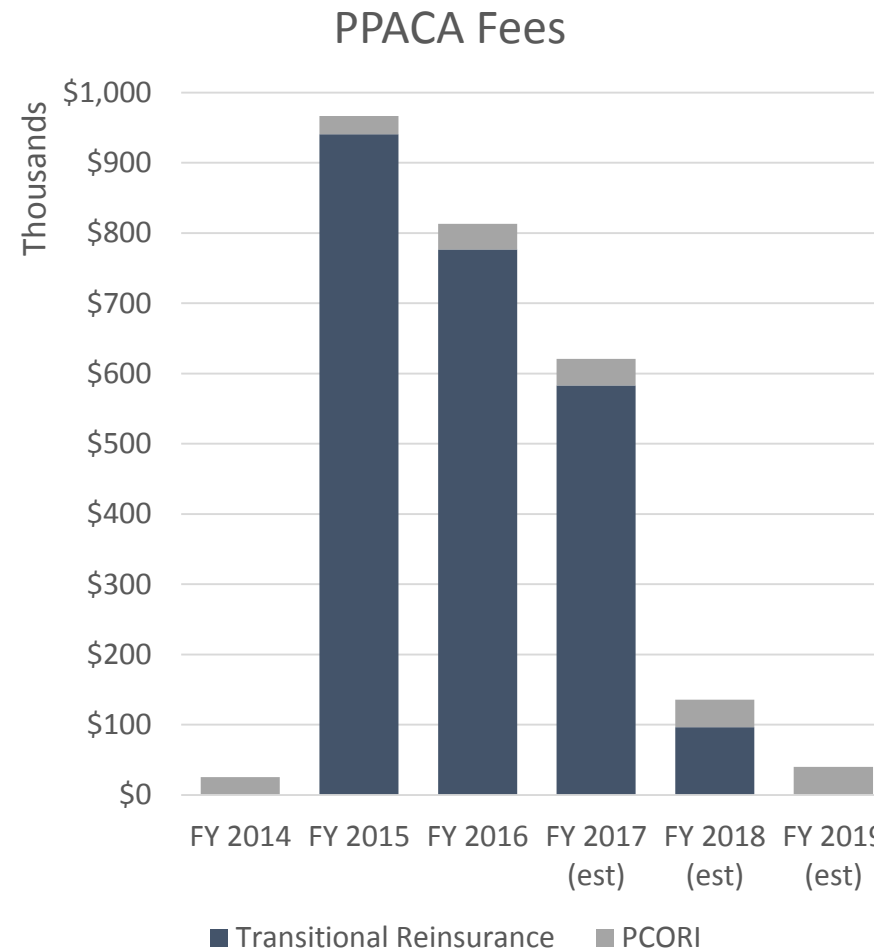
Health Insurance

Patient Protection and Affordable Care Act (PPACA) Fees

- Patient-Centered Outcomes Research Institute (PCORI) Fee
 - PCORI funds patient-centered comparative clinical effectiveness research.
 - The PCORI fee was \$2 per covered life in plan year 2013, with increases each year to reflect inflation until the fee ends in plan year 2018.

- Transitional Reinsurance Fee
 - The Transitional Reinsurance Program reduces the impact of adverse selection on the individual market during the first few years following its implementation
 - The fee is imposed for three years, beginning with plan year 2014 and ending in plan year 2016.
 - The fee was \$63 per member in plan year 2014, \$44 in plan year 2015, and \$27 in plan year 2016.

- Fees are paid from the Health Benefits Fund and were pre-funded with one-time GF transfers in FY 2014 and FY 2015

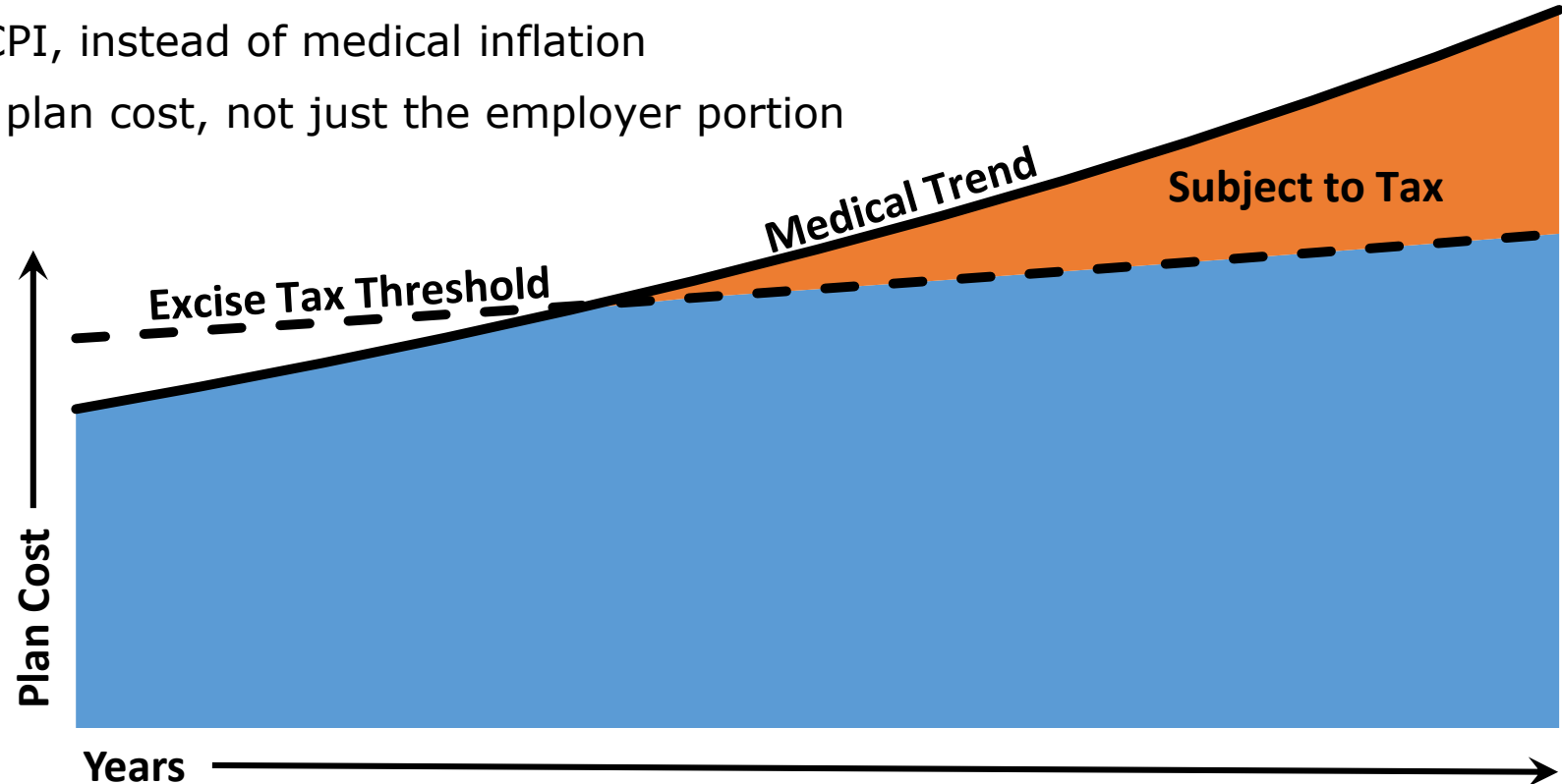




Health Insurance

Excise Tax (“Cadillac Tax”) on High-Cost Health Plans

- 40 percent tax on the cost of coverage that exceeds thresholds:
 - \$10,200 for individual coverage
 - \$27,500 for two-party and family coverage
- Thresholds are indexed to CPI, instead of medical inflation
- Excise tax is based on total plan cost, not just the employer portion





Health Insurance

Excise Tax (“Cadillac Tax”) on High-Cost Health Plans

- Uncertainties
 - Delayed from 2018 to 2020
 - More guidance as 2020 approaches
 - Impact of election
- Focus on incremental progress toward reducing/delaying impact through plan design changes

Year	Excise Tax (prior to 2016 plan changes)	Excise Tax (current projection)
2020	\$0	\$0
2021	\$170,800	\$0
2022	\$1,110,400	\$772,900
2023	\$5,361,200	\$3,813,100
2024	\$10,334,100	\$8,083,200
2025	\$15,834,900	\$12,968,900



Looking Ahead: Health Insurance

- Continue focus on consumerism to control costs and reduce excise tax exposure
 - Encourage migration to coinsurance plans
 - Increase participation in CDHP
- Plan design adjustments to steer behavior
- Enhance members' focus on wellness



Vision, Dental, Life and Long-Term Disability Insurance



Vision Insurance

- Enrollment in vision insurance is automatic for employees that enroll in County health insurance.
- Premiums are included in the health insurance premium rates.
- Plan benefits include:
 - \$15 copay for annual in-network eye examinations
 - Partial coverage of eyeglasses or contact lenses



Dental Insurance

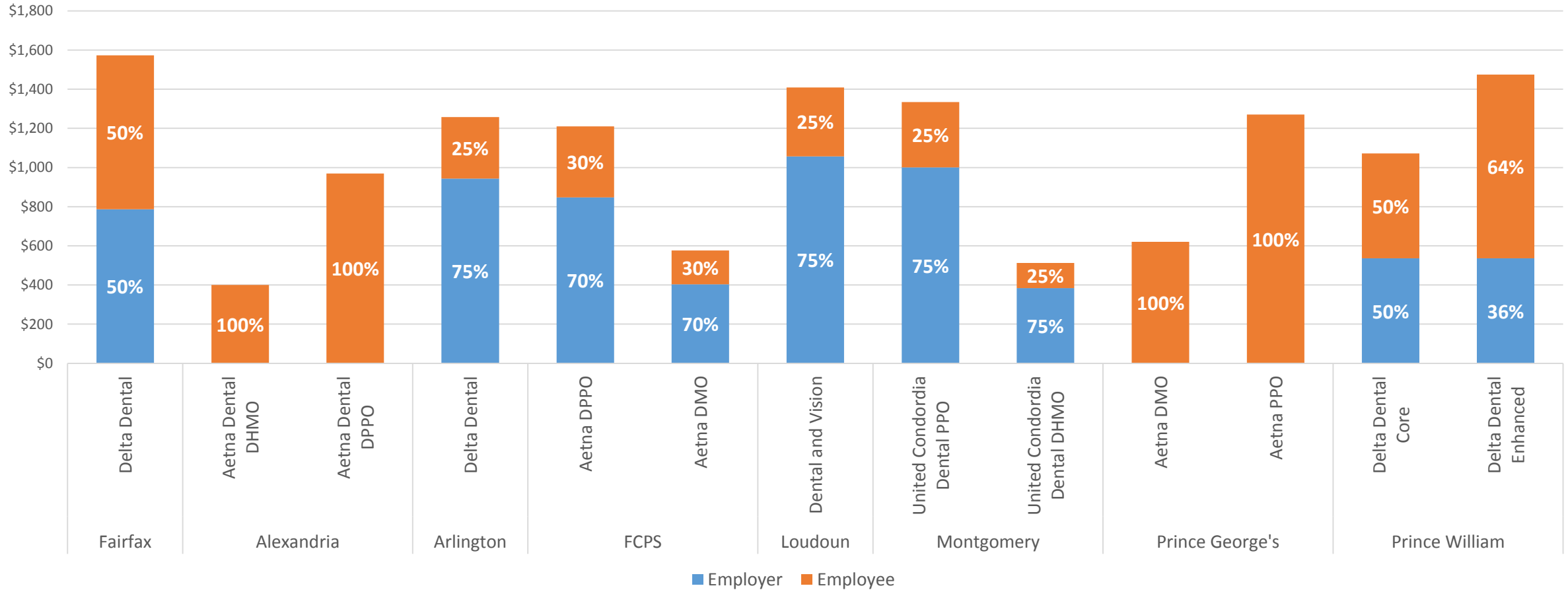
- Dental insurance is offered to County employees and retirees through a two-tiered preferred provider organization (PPO) plan with a nationwide network.
- The County contributes 50 percent of the premium for all eligible active employees that elect dental coverage.
- There is no employer contribution for retiree coverage.

	PPO	Premier	Out of Network
Annual Deductible	\$50	\$50	\$50
Annual Benefit Maximum	\$2,000	\$2,000	\$2,000
Orthodontic Lifetime Maximum	\$2,000	\$2,000	\$2,000
Diagnostic and Preventive Care	100%	100%	80%
Basic Dental Care	90%	80%	80%
Other Dental Care	60%	50%	50%
Orthodontic Benefits	50%	50%	35%



Dental Insurance

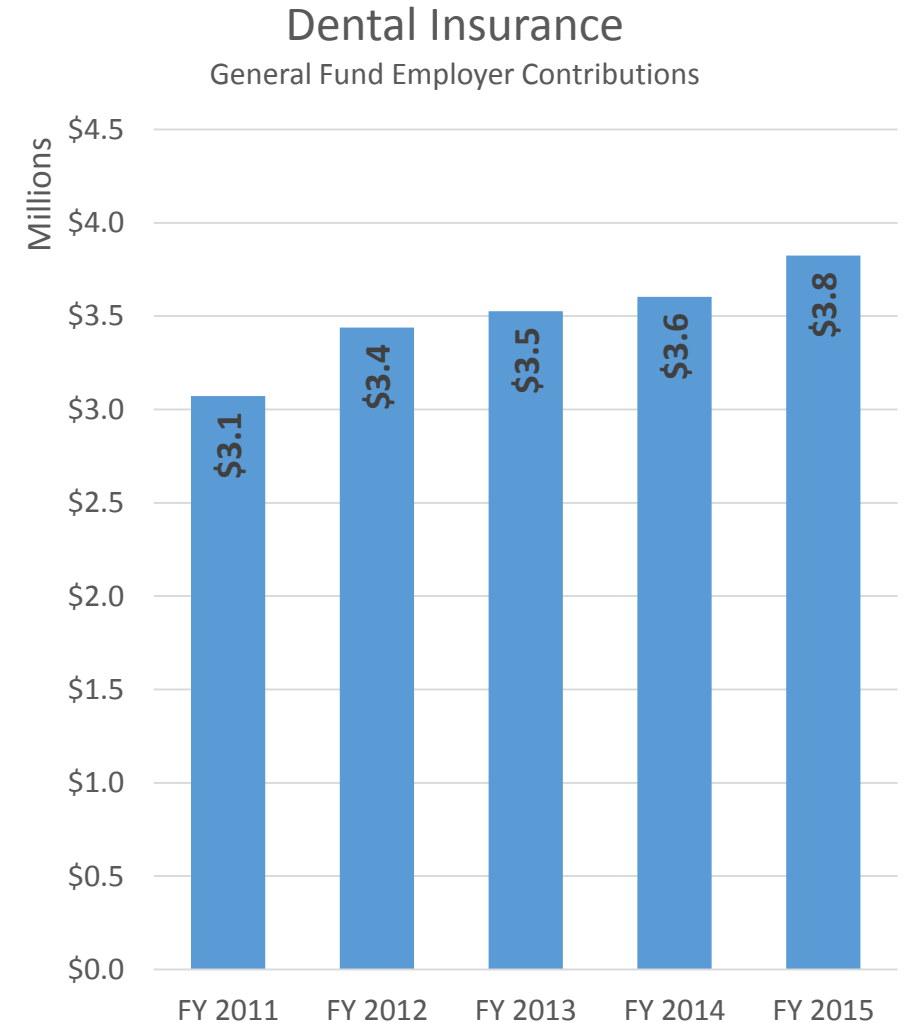
Dental Insurance Annual Premiums
Family Coverage, Plan Year 2015





Looking Ahead: Dental Insurance

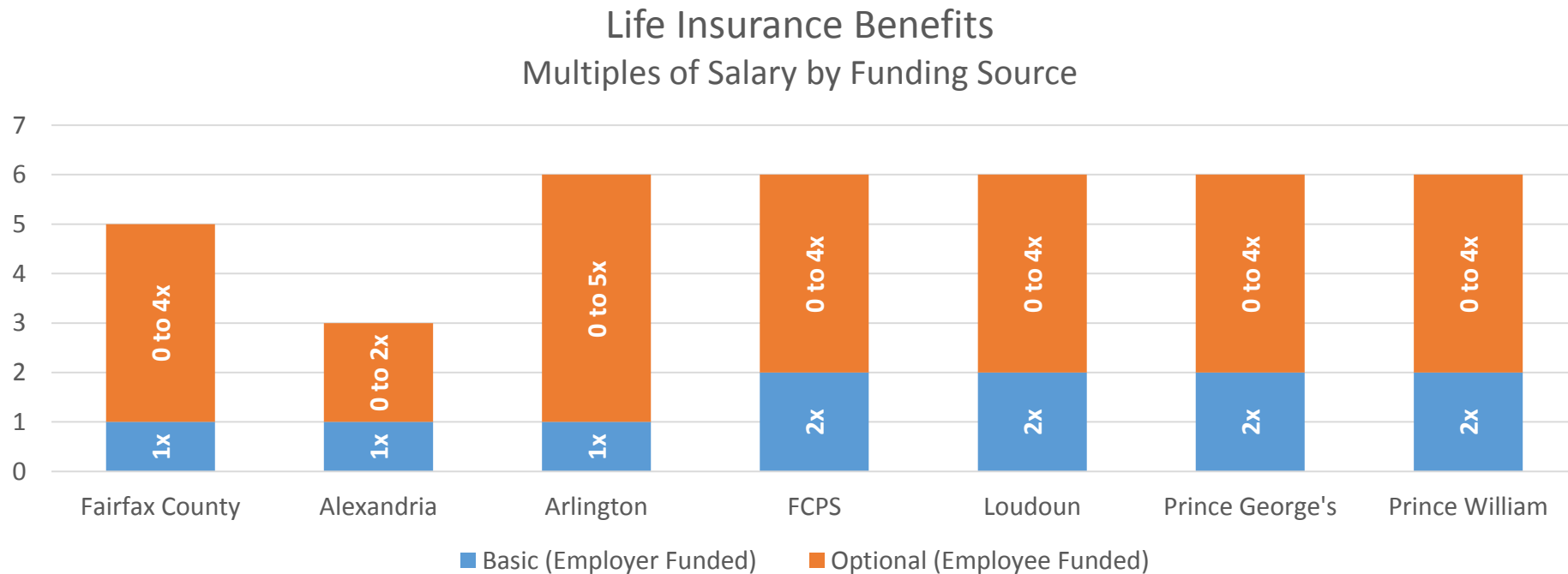
- The County's dental plan is fully-insured, with premiums set by the insurer.





Life Insurance

- Basic group life insurance coverage at a rate of one times salary for all County merit employees is funded solely through an employer contribution.
- Employees may elect to purchase optional coverage up to an additional four times salary, as well as spouse and dependent coverage. Employees are responsible for the cost of any optional coverage based on an age-banded premium rating scale.
- Retirees can continue coverage with an employer contribution equal to half of the cost of basic coverage.





Long-Term Disability Insurance

- Voluntary long-term disability insurance is available to employees with the employee paying the full cost.
- Premiums are based on age and salary.
- In the event of an accident or extended illness, the plan pays a benefit of up to 60% of monthly basic earnings with a maximum monthly benefit of \$5,000.



Other Benefits



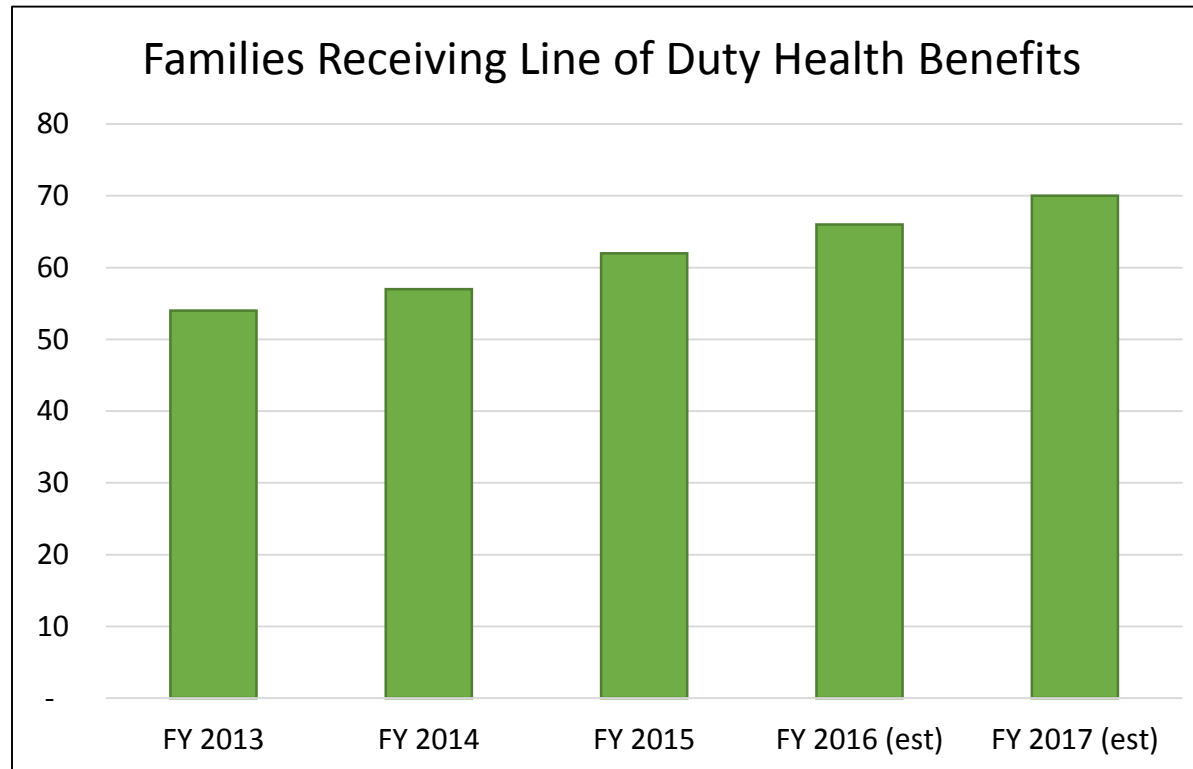
Line of Duty Act (LODA)

- The Line of Duty Act provides employees and volunteers in hazardous duty positions and their families with certain benefits in the event of a line of duty death or disability.
 - Death benefit
 - \$100,000 in the event of a death occurring as the direct or proximate result of performance of duty
 - \$25,000 in the event of a death due to specified work-related illnesses during employment or within five years of retirement
 - Continuing employer-funded health and dental insurance coverage
- Though the LODA was originally state-funded, the state shifted the cost of these benefits to localities in FY 2011.



Line of Duty Act (LODA)

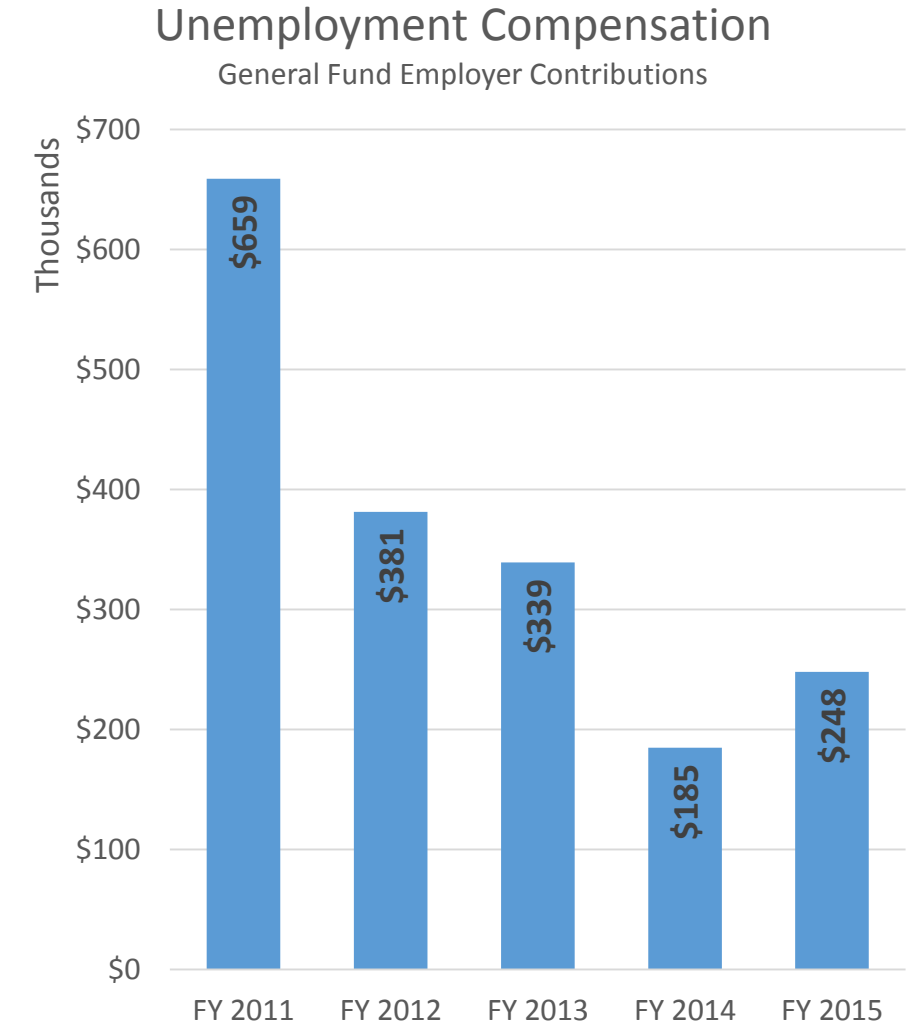
- The state continues to administer the program and make eligibility determinations.
- The number of beneficiaries has increased steadily over the past few years.
- LODA expenses increased from \$0.78m in FY 2012 to \$1.06m in FY 2015.





Unemployment Compensation

- Unemployment compensation taxes are paid to the Virginia Employment Commission based on the actual number of former County employees filing claims.
- Virginia's unemployment insurance program is administered by the Virginia Employment Commission (VEC).





Wellness

- LiveWell
 - Flu vaccinations
 - Smoking cessation
 - Weight Watchers
 - Reduced membership fees at County RECenters
 - Employee Fitness and Wellness Center
 - Events, webinars, and challenges
 - MotivateMe Incentive Rewards
- The Employee Assistance Program (EAP) is a free, confidential counseling service for merit employees and members of their immediate household, providing problem assessment, short-term counseling, and referral for personal problems.





Flexible Spending Accounts

- Flexible Spending Accounts allow employees to use pre-tax earnings for eligible healthcare and dependent care expenses.
 - Maximum contribution of \$2,550 for Healthcare FSA
 - Maximum contribution of \$5,000 for Dependent Care FSA
- Annual employee contributions to FSAs total approximately \$6.4 million.
- The County pays the administrative expenses of the program.



Employee Development and Awards

- Tuition Assistance Program (TAP) and Language Tuition Assistance Program (LTAP)
 - Available to merit employees
 - Coursework must be related to current or future position with County
 - Must earn a grade of “C” or better or receive a certificate of satisfactory completion
 - Maximum reimbursement per fiscal year for full-time merit employees is \$1,300
- In addition, countywide training funds support programs managed by the Organizational Development and Training (OD&T) Division of the Department of Human Resources.
- Major Countywide Awards
 - Outstanding Performance Awards
 - Team Excellence Awards
 - Managerial Excellence Awards
 - A. Heath Onthank Award
 - Don Smith Award
 - Length of Service Awards



EMPLOYEE LEAVE



Employee Leave

■ Annual Leave

Years of Service	Annual Leave Earned per Pay Period	Annual Leave Earned per Year
Up to 3	4 hours	13 days
3 to 15	6 hours	19½ days
15 and over	8 hours	26 days

- Annual leave in excess of 240 hours (320 hours with 10 or more years of service) is converted to sick leave at the end of each year
- Balance paid out upon separation

■ Sick Leave

- 4 hours sick leave per pay period, or 13 days per year
- Balance (up to 2,080 hours if hired after 1/1/2013) at retirement counts towards retirement eligibility, final average salary, and benefit calculation



Employee Leave

- Holiday Leave
 - Generally 11½ days per year based on the holiday schedule approved by the Board

- Compensatory Leave
 - Employees may earn compensatory leave in lieu of pay for overtime worked (eligibility for compensatory leave and overtime pay depends on the type and level of the position)
 - Balances up to 240 hours may be carried forward each calendar year
 - Balance (up to 240 hours, 336 hours for Fire and Rescue), paid out upon separation

- Inclement Weather and Other Emergencies
 - Unscheduled Leave
 - Employees may use their own leave without prior approval
 - Emergency service personnel must report to work
 - Emergency Administrative Leave
 - Employees may remain home or leave work early without the use of personal leave
 - Employees required to work receive extra compensation



Employee Leave

- Bereavement Leave
 - 16 hours (Fire & Rescue, 24 hours) bereavement leave per calendar year in the event of a death occurring in the employee's extended family or household

- Parental Leave
 - 80 hours of paid leave following the birth, adoption, or foster care placement of a child

- Volunteer Activity Leave
 - 16 hours of volunteer activity leave per calendar year to participate in volunteer activities and initiatives that support the neighborhoods in which employees live and work

- Military Leave
 - Employee reservists or members of the National Guard are eligible for 15 days of paid military leave per federal fiscal year (October 1 – September 30) to attend federally funded military duty including training



Employee Leave

- Administrative Leave
- Civil Leave
- Education Leave
- Injury Leave
- Leave Without Pay

- Family and Medical Leave
 - Up to 12 workweeks in any 12 months
 - Employees may use a combination of their personal leave (sick, annual, compensatory, parental) or leave without pay



Discussion

