

COUNTY OF ALBEMARLE

EXECUTIVE SUMMARY

BACKGROUND:

Information regarding Total Compensation was provided to the Board of Supervisors and the School Board for consideration at the October 7, 2009 joint meeting of the Boards. That information included projections based on the Boards' adopted process to achieve the Total Compensation Strategy, projections for medical insurance premiums and a review of the Voluntary Early Retirement Incentive Program (VERIP). This report provides recommendations on those items.

DISCUSSION:

1-Compensation Strategies

Projections based on the joint Boards' process and adopted strategy were presented to the Boards as follows: 1% increase in the classified salary scale, 2.88% merit increase for classified staff and 2.25% distributed along the teacher scale to reach and/or maintain top quartile. However, given the continuing state of the economy and the ongoing challenges faced by local governments and school divisions, it is likely that few localities and school divisions in our adopted market will fund increases. Based on this, it is not anticipated that we will lose ground regarding our market positioning if we do not implement salary increases this year, just as was the case last year.

2- Benefits Strategies

Based on claims data and reserve balance, along with trend information provided by our benefits consultant Tom MacKay with Keiter, Slabaugh, Penny & Holme (KSPH), LLC, our estimated medical cost increase for FY10-11 is 8%. The Health Care Executive Committee (HCEC), in consultation with KSPH, has established a target of 20% in reserves to sufficiently cover health insurance claims. This is carefully monitored on an ongoing basis. Based on the current projected costs, the HCEC recommends utilizing a portion of our strong reserves to offset some of the medical increase in the coming fiscal year.

3-Review of VERIP Program

In order to sustain the core components of the joint Boards' adopted Total Compensation Strategy (which are market competitive salaries and health insurance benefits), it is critical to assess other components of the Total Compensation Program. Data from the joint Boards' adopted market indicates that the Voluntary Early Retirement Incentive Program (VERIP) stipend benefits exceed market levels. Additionally, the Resource Management Study recommended that the VERIP program should be reevaluated. To this end, a cross-departmental workgroup (with staff representation from the School Division, Albemarle Education Association and Local Government) was established to assess the VERIP program and develop recommendations. Based on the recommendations of this workgroup, information was presented for consideration by both Boards at the October 7, 2009 meeting as indicated:

1-Consider phase-out of VERIP stipend.

2-Recommend revising service requirement for retirees to remain on group medical and dental from four years to meeting eligibility for VRS.

VERIP Stipend

As cited in the October 7, 2009 Total Compensation Executive Summary, current market data indicates that the level of stipend benefit offered by VERIP exceeds the majority of other localities, as few localities offer supplemental retirement stipend benefits. In order to honor our organization's commitments to those employees nearing retirement, while moving toward a market competitive program, a phase-out of the VERIP stipend program is recommended as indicated in the attached revised policy.

Eligibility for retirees to remain on group medical and dental plans

The current service requirement for non-VERIP retirees to remain on the group medical and dental insurance is four years; these retirees pay the entire plan cost. The workgroup recommends changing this policy to require meeting VRS eligibility for retirement (reduced retirement is age 50 with 10 years of service, or age 55 with 5 years of service) as indicated in the attached revised policy. In addition, retiring salaried Board members and employees not retiring under VRS and/or VERIP will no longer be eligible to participate in the medical plans.

AGENDA TITLE: Joint Board Meeting: Total Compensation Report

December 2, 2009

Page 2

BUDGET IMPACT:

If the VERIP stipend phase-out option is implemented, stipend costs would begin to decline starting in FY12 and end completely by FY20. The following are estimates based on historical trend data:

	Estimated Total Stipend Cost through FY19/20 with Current VERIP	Estimated Total Stipend Cost through FY19/20 with Phase-out option	Estimated Savings through FY19/20 using Phase-out option
Local Government	\$2,024,152	\$1,094,233	\$929,919
School Division	\$10,876,553	\$5,789,521	\$5,087,033

RECOMMENDATIONS:

Staff recommends that the Board:

- 1) Approve no scale adjustment, merit increase or teacher increase due to the current economic and market conditions and the projected revenue shortfalls;
- 2) Approve applying a portion of the Health Care Reserve fund to offset some of the increase in medical plan costs (the projected cost increase in medical is anticipated at 8%); and
- 3) Adopt the attached Resolution to adopt amended Personnel Policy P-63, Retirement, to phase-out the VERIP stipend and to revise the service requirements for retirees to remain on group medical and dental plans.

ATTACHMENTS

A-School Board Personnel Policy GCPC