Total Compensation Report

October 8, 2014

Compensation Targets

Total Compensation Report

Board Adopted Strategy

Step 1

Survey Market

Step2

Analyze data- do we lead, lag, or meet market?

Step 3

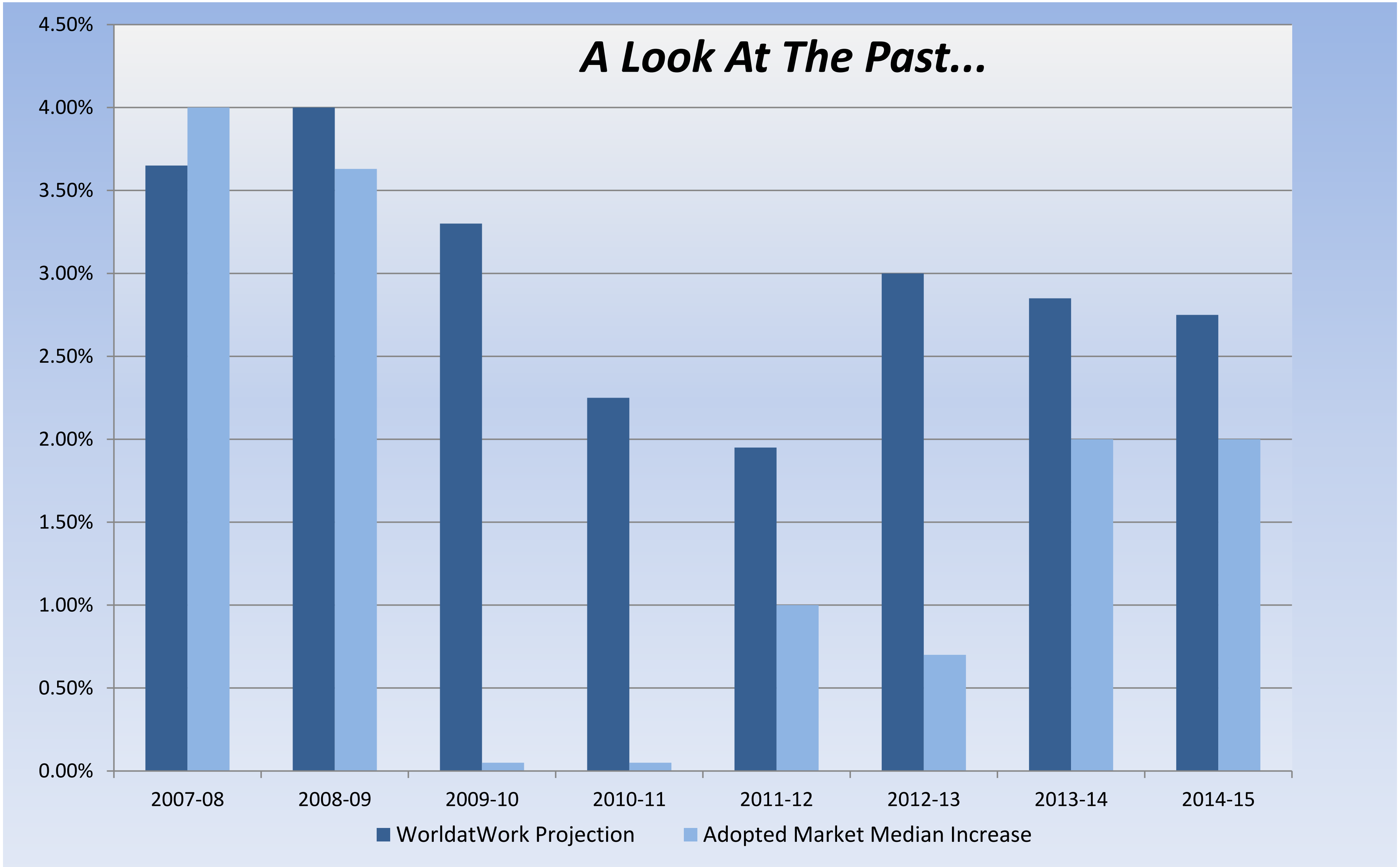
WorldatWork projections

Step 4

Project scale & salary increases

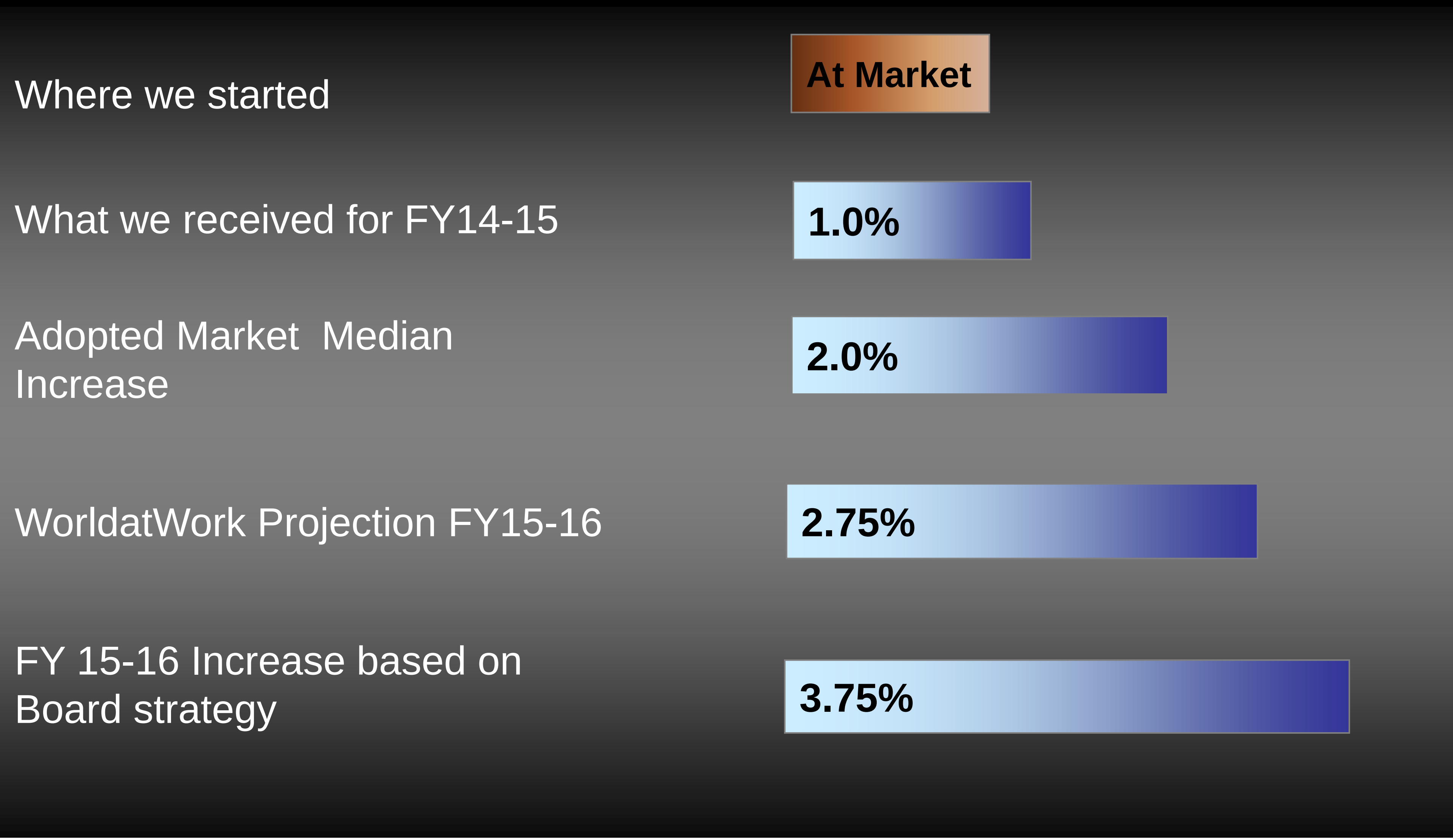
Total Compensation

Board Adopted Process



Salary Increase Projections Over Time

Worldatwork projects vs adopted market



Salary Projections

Consideration-3% increase

Classified Salary Increase

Classified Midpoint

- **Every classified employee is on a pay grade with a minimum, midpoint & maximum rate *- midpoint is the competitive market rate***
- **Our retention strategy is to accelerate employees to midpoint, so we pay them a competitive salary sooner**

- **Since 2008, we have only done this acceleration once**

Salary Compression

All employees hired to same full time position, similarly qualified at time of hire, brought in at pay grade minimum, and have had good performance here …

Hired July 2010 at $3,575
Today at $44,076

We want to hire him, but he is already making $45,000

Hired July 2009 at $39,575
Today at $44,076

Hired July 2008 at $39,575
Today at $44,076

Classified Merit Pay for Performance based on core competencies

5-Point Scale to allow for differentiation of performance:

(5) Consistently Exceeds High Expectations

(4) Meets & Often Exceeds High Expectations

(3) Successfully Meets High Expectations

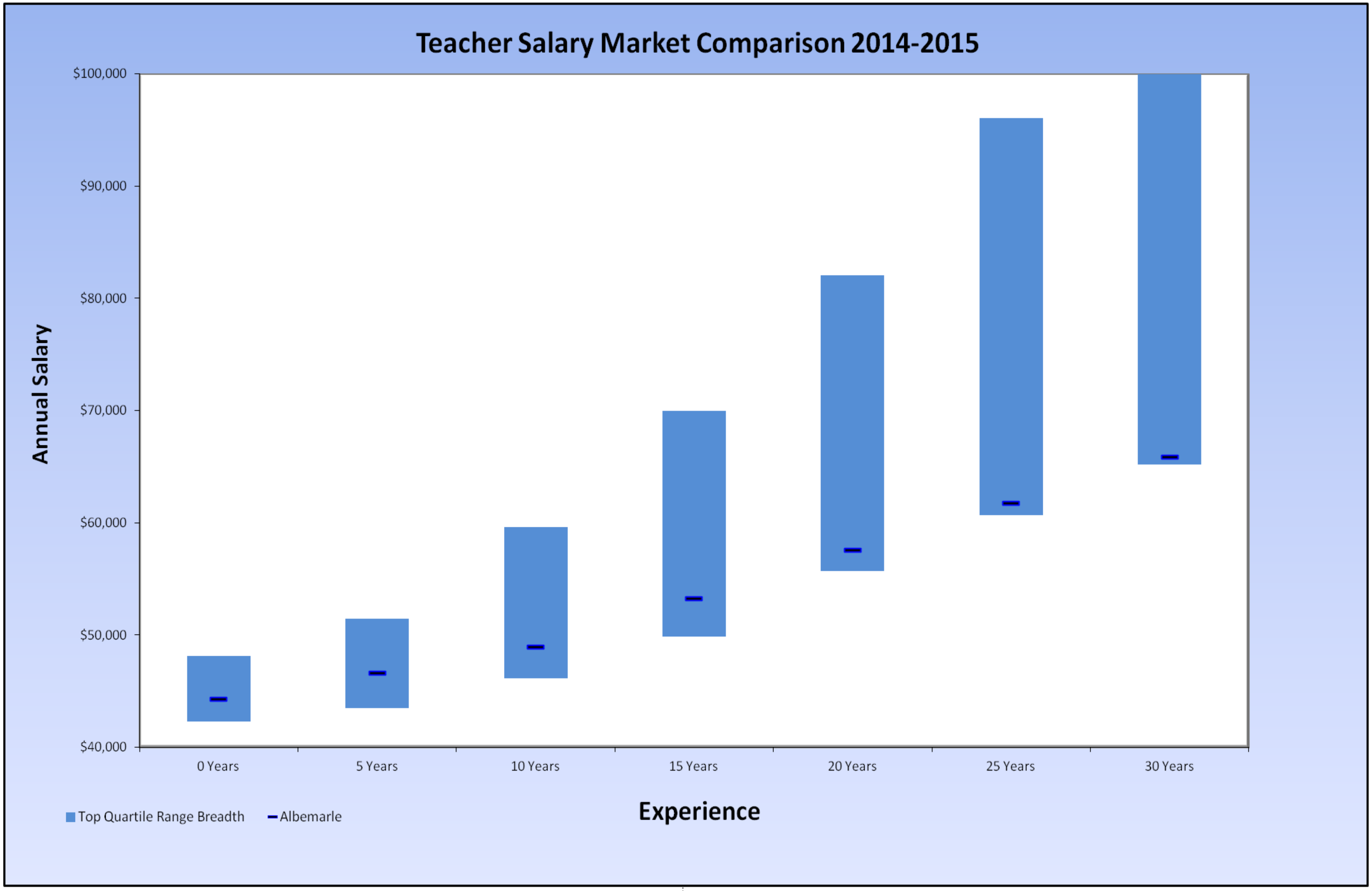
(2) Meets Minimum Expectations

(1) Does Not Meet Minimum Expectations

Merit Matrix

Position in range	(1) Does Not Meet …	(2) Meets Minimum Expectations	**(3) Successfully Meets …**	(4) Meets & Often Exceeds …	(5) Consistently Exceeds …
Below midpoint	No increase	Market Increase -1.0%	**Market +1.0%**	Market +1.5%	Market +2.0%
Above midpoint	No increase	Market Increase -1.0%	**Market**	Market +0.5%	Market +1.0%

*Merit pay for performance funded only once since 2008 (FY13-14)

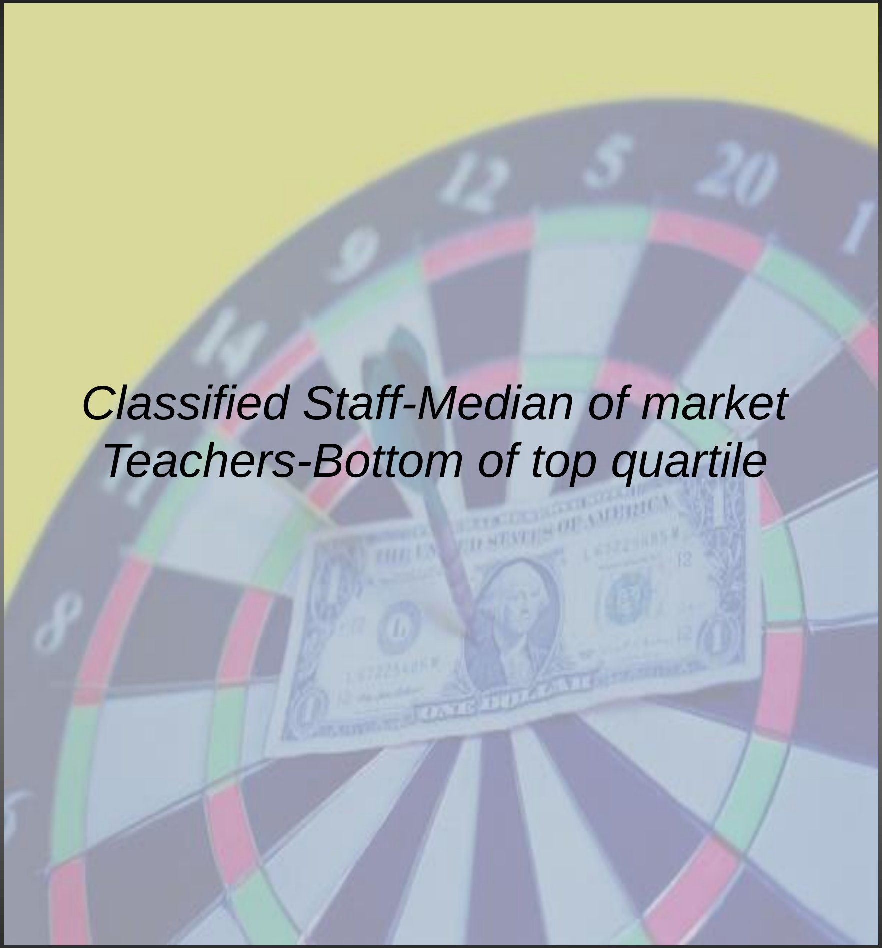


Salary Projections

Consideration 2% increase

Teacher Scale FY 14-15

Compensation Targets



Classified Staff-Median of market
Teachers-Bottom of top quartile

Board Adopted Strategy

Benefits Targets

Total Compensation Report

Board Adopted Strategy

Benefits are Changing

Health Insurance

Affordable

Meet Boards' adopted target-slightly above market

Meet individuals and families needs

Target Reserves at 25%

Compliance

Health Care Executive Committee (HCEC) looks at:

Claims

Employee Feedback

Reserves

Market Data on plan design, employee premiums and Board contributions

HEALTH INSURANCE

AFFORDABLE CARE ACT (ACA) CHANGING HEALTH INSURANCE

"Cadillac" Plan Excise Taxes (2018) based on total cost for individual coverage: 40% tax on amounts above the $10,200 threshold for total cost of an individual plan. Our 2014 -2015 total cost for individual coverage is $8,349.

HCEC recommends

- Reallocating rates- Changing our contribution strategy order to get our rates closer to usage among tiers, align with market and avoid the Cadillac tax.
- Four band structure for part-time employees

HEALTH INSURANCE

AFFORDABLE CARE ACT (ACA) CHANGING HEALTH INSURANCE

Fees based on number of participants

Spouses claims are 20% higher than employees

HCEC recommends

Spouses would be ineligible for health insurance with Albemarle County ***if*** *they have affordable coverage with their employer*

HEALTH INSURANCE

Claims estimated 11%

No plan changes	21 % Board & Employee Contributions
Proposed plan changes Plus plan: Deductible from $250 indiv/$500 family to $500/$1000 Provider co-pay from $15 PCP/$30; Specialist to $20/$40 ER co-pay from $200 to subject to deductible/$10% co-insurance after Rx co-pay from $7/$30/$50 to $10/$40/$60 Basic Plan: Deductible from $250 indiv/$500 family to $500/$1000 Provider co-pay from $25 PCP/$40; Specialist to $30/$50 Rx co-pay from $7/$35/$60 to $10/$45/$75	16.9% Board & Employee Contributions
HCEC recommends: Proposed plan changes and spousal adjustment to keep plan affordable for all employees	9.6% Board Contribution Employee Premium increases range from $0-$40 per month

Wellness Initiatives

2014-15 Plans

- ✓ BeWell Albemarle website expansion
- ✓ Onsite flu vaccination clinics in over 50 County locations – new vendor is Giant
- ✓ Mobile Mammography – new bus being built – move to Spring 2015
- ✓ Continue to promote Men's and Women's Four Miler Training programs
- ✓ Wellness Champions
- ✓ Promote Move2Health 5 a Day Fruits and Veggies challenge (TJHD)
- ✓ Purchased and placed 20 more AEDs in school and government buildings
- ✓ Health promotion / education campaigns on various topics
- ✓ Evaluating Weight Watchers
- ✓ Health Risk Assessments / Biometric Screenings – RFP for new vendor
- ✓ Activity challenges with Fitbit or similar device –pilot program
- ✓ Grants for Wellness Champion programs – ready to launch this Fall

Benefits are Changing

Our challenges

- **Benefits inequities between legacy staff and Hybrid staff (new plan more robust than current)**
- **Administrative**
- **Communication**
- **Management of sick leave**

Benefit Updates
Leave Benefits

Staff assessed how best to administer benefits to all employees, regardless of which VRS plan may apply:

- Looking at modifications to our leave program (accrual, sick leave bank)
- Providing short-term/long-term disability benefit to all employees
- Market data
- Employee engagement

Option 1: Implement one leave program for all benefits-eligible employees, to include employer-paid short-term and long-term disability benefits

Considerations for this option:

- Avoids benefit inequities resulting in morale issues
- Avoids the long-term complexities and cost of permanently administering two leave systems
- Provides a superior and more consistent leave benefit for employees

Option 2: Retain the current leave policies for Non-Hybrid Plan employees, create new leave policies, and hire at least one additional leave administrator

Considerations for this option:

- Employees would receive different leave benefits
- Slower increase in costs of VLDP mandated system as employee base transitions to mostly Hybrid membership (estimated 5-6 years)
- Will require 2 systems, manual calculations
- Confusing for managers

Benefit comparison: Mary is Hybrid, Andre is Plan 2; both hired in January 2014. Each have 15 sick days when out for personal medical leave in 2015:

Mary: Hybrid Plan- 100% pay for 7 days + 60% pay for 125 days

7 days @ 100%

125 days @ 60% *may supplement

Andre: Current Plan- 100% pay for 15 days + 45 days of Sick Bank (if a member)

15 days @ 100%

45 days @ 100% Sick Bank (if a member); if not a member, LWOP

Total Compensation

Considerations

Compensation

3% market increase for classified employees administered through pay for performance system

Build teacher scale to reflect market moving 2%

Contingent on available revenues

Total Compensation-Benefits

Considerations:

Reallocate rates to reflect claims usage and implement four bands for part-time employees

Implement spousal adjustment – spouses ineligible if affordable coverage with employer

Implement proposed plan design changes

Based on spousal adjustment and plan design changes, plan for 9.6% Board premium increase and employee increases ranging from $0-$40 per month

Contingent on available revenues

Total Compensation- Leave Benefits

Considerations:

Provide short and long term disability to all benefit eligible employees

Contingent on available revenues