Albemarle County

Executive Summary

File #: 15-325, **Version:** 1

AGENDA DATE: 10/14/2015

TITLE:
Total Compensation Report
SUBJECT/PROPOSAL/REQUEST: Market data and benefit plan updates for use in budget development for FY 16-17, subject to available revenues

ITEM TYPE: Regular Information Item

STAFF CONTACT(S): Foley, Letteri, Davis, Gerome, Cloutier

PRESENTER (S): Lorna Gerome, Claudine Cloutier

LEGAL REVIEW: Yes

REVIEWED BY: Thomas C. Foley

BACKGROUND: The School Board and Board of Supervisors (the "Boards") approved a Total Compensation Strategy in 2000 to target employee salaries at 100% of an adopted market median and benefits slightly above market levels. See Attachment 1 for a list of the localities included in the adopted market. Since that time, the Boards have continued to recognize the importance of providing competitive salaries and benefits to attract and retain a high quality workforce. To that end, the County's total compensation has been designed and is continually adapted to meet these objectives in an ever-changing labor market. This Executive Summary outlines staffs' findings based on its annual compensation analysis. It is provided for the Boards' consideration as the Boards provide feedback to the County Executive and Superintendent for the upcoming FY 17 budget process. It is noted that all funding for the final recommendations is subject to available revenues and final approval by the Boards. The benefit programs are a significant component of Total Compensation in terms of cost and employee satisfaction and well-being. Staff is providing information regarding plan changes to the Medical Insurance programs, as well as modifications to the leave and disability insurance programs to meet market, financial, operational and regulatory requirements.

STRATEGIC PLAN: Goal 7. Operational Capacity: Ensure County government's ability to provide high quality service that achieve community priorities.

DISCUSSION:
1) <u>Compensation Strategies</u>
The adopted strategy for total compensation is detailed in Attachment 2. In October 2014, the projected salary increase to meet the Boards' adopted strategy was an average overall pay increase of 3.0% in FY 16 (2.3%, with an additional .7% for performance differentials). The salary increases projected to meet the Boards' compensation strategy, set out in Attachment 2, is for the Boards' consideration in the development of the FY 17 budget. As detailed in Attachment 2, the County's FY 16 pay increase of 3.00% results in meeting the County's market target for classified and administrative employees. However, the problem of salary compression among existing employees is creating morale and hiring challenges. HR has retained Titan-Gallagher, an experienced compensation and human resources consulting firm, to assist in developing solutions for pay compression. A summary of the study is included as Attachment 4.

2) <u>Benefits Strategies</u>

Medical and Dental The Health Care Executive Committee (HCEC) is comprised of representative staff from several departments in the School Division and Local Government, as well as members from other affiliated organizations who participate in the County's health and dental plans. The HCEC develops recommendations for the County's medical and dental plans to present to the Boards. Rather than continuing to offer two traditional plans that are not significantly different in terms of cost-sharing (employee premiums/out of pocket expenses), the HCEC is recommending that we offer one traditional plan (resembling the current "Basic" plan) and one High Deductible Health Plan (HDHP) with a qualified Health Savings Account (HSA) for 2016-2017. The HCEC believes that this recommendation, in addition to more appropriately pricing the traditional plan to more accurately reflect enrollment and utilization, is the best course of action in order to ensure the sustainability of the strategic medical reserves and the continued ability to offer excellent, affordable medical insurance options to employees. A comprehensive report regarding this information and recommendations regarding plan design is included as Attachment 3.

Leave Effective January 1, 2014, VRS mandated a new "Hybrid Plan" for new employees which, among other things, does not offer the option of disability retirement. Instead, Hybrid Plan members will receive mandated employer-paid short-term and long-term disability coverage. These mandated benefits create inconsistencies between the County's and School Board's current leave programs and leave benefits that must be provided to Hybrid Plan members. Staff has assessed how best to administer benefits to all employees, regardless of which VRS plan may apply. A comprehensive report regarding this information and options reviewed is included as Attachment 3.

BUDGET IMPACT: This information is presented to the Boards for consideration in their preparation of the FY 17 budget. Budget impact information related to FY 17 medical insurance plan changes is included in Attachment 3 and information related to addressing compression issues is included in Attachment 4. Additional information on the budget impacts related to FY 17 salary increases and implementing one leave program will be presented to the Board on October 14. It is again noted that all final funding is subject to available revenues and final approval by the Boards.

RECOMMENDATION:

The purpose of the joint work session of the Board of Supervisors and School Board is to consider various options regarding market salaries, compression and benefits based on staff research and analysis. While staff will not be providing recommendations at this time, staff will be seeking guidance from the boards as to the preference, timing and priority of options presented to address compensation and benefit challenges. Specifically, staff will ask the boards for feedback as follows:

1. Based on the adopted Total Compensation Strategy, whether to establish a budget target providing a 2.7 % salary increase for classified staff, administered through our pay for performance program (2.0 % with .7 performance differential), and a 2.7 % increase to fund teacher salary increases to maintain the top quartile position. The budget implications associated with this increase for classified and teacher salaries will be presented at the work session.
2. Whether to address compression by implementing one of the recommendations outlined in the "Compensation Compression Analysis" report prepared by our consultants. Staff will review the four options at the work session. The budget impact for these options to address both schools and local government range from $446,000 to $1,472,000 depending on the option selected.
3. Whether the medical insurance plan should be changed effective October 1, 2016 to:
   a. Implement reallocated health insurance rates to more accurately reflect usage and address the federal "Cadillac" tax;
   b. Offer one traditional plan (rather than two) and one High Deductible Health Plan (HDHP) with a qualified Health Savings Account (HSA).

   Staff will overview the proposed plan modifications and options, including the expected impact to employees and our health insurance fund, during the work session.

4. Whether to implement one leave program for all benefits-eligible employees, to include employer-paid short-term and long-term, disability benefits for all benefits-eligible employees. During the work session, staff will provide staffing implications associated with maintaining two disability/leave programs, as we do now, as compared to one plan for all current and new employees. The estimated net budget impact to implement one disability/leave policy for both schools and local government is $350,000 after savings associated with substitute costs.

Final recommendations by the County Executive and Superintendent will be based on the availability of adequate funding.

1-Adopted Competitive Market
2-Compensation Strategies
3-Benefits Strategies
4-Compensation Compression Analysis and Recommendations