Albemarle County

Executive Summary

File #: 16-610, **Version:** 1

AGENDA DATE: 10/12/2016

TITLE:
Annual Update on Employee Compensation, Health Insurance and Other Benefits

SUBJECT/PROPOSAL/REQUEST: Market data and benefit plan updates for use in budget development for FY17-18, subject to available revenues

ITEM TYPE: Regular Information Item

STAFF CONTACT(S): Gerome, Walker, Foley, Kamptner

PRESENTER (S): Lorna Gerome

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 with specific targets for employee and teacher salaries of an adopted market and target benefits slightly above market levels, On October 12, the Boards will engage in a joint work session to receive information on the results of staffs' findings based on the annual compensation market analysis, pay compression challenges and remedy, ongoing compensation projects, updates on the current state of and future changes to the County's health insurance program, wellness initiatives, and information regarding leave and disability insurance programs. This information is provided for the Boards' consideration as the Boards provide feedback to the County Executive and Superintendent for the upcoming FY 18 budget process.

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

DISCUSSION:

1) Compensation: The County's FY 17 pay increase results in meeting the County's market target for teachers, classified and administrative employees. Market Analysis indicates:

- <u>Classified</u> In July 2016, classified staff received a 2% salary increase (this was a flat increase, with no differential for performance). The median salary increase for localities in the County's adopted market was also 2%.
- <u>Teachers</u> Staff applied an average of 2% increase to the teacher scale. This allowed the County to reach its target of the 75th percentile.
- <u>Compression</u> For classified employees, salary compression among existing employees is creating morale and hiring challenges. Staff will present a proposed remedy and costs to address compression on October 12.

2) Benefits:

Health Insurance - Offering competitive medical plans is a major consideration each year. To ensure the ongoing sustainability of the plan and the County's continued ability to offer excellent and affordable health insurance options to employees, the County has taken numerous steps in recent years. Staff will provide an update, including measures taken this year, as follows: completed a dependent eligibility review process, initiated a medical program evaluation review to assess whether the County's current health plan meets the County's objectives, selected Anthem as the County's new medical, dental, and pharmacy plan administrator and offered a new plan choice, a High Deductible Health Plan (HDHP) with a qualified Health Savings Account (HSA).

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 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 believes that providing a unified short and long term disability plan for all employees is optimal.

BUDGET IMPACT: This information is presented to the Boards to inform for the upcoming budget process for the FY18 budget.

RECOMMENDATION:
The purpose of the joint work session of the Board of Supervisors and School Board is for Board members to receive information on the following:
1) Market salaries and compression based on staff research and analysis;
2) Pay for performance program;
3) Compensation initiatives;
4) Ongoing work occurring with regard to the health insurance plan and wellness initiatives.

Staff will provide more detailed analysis regarding the health insurance plan at the Board work session on February 8, 2017.

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