

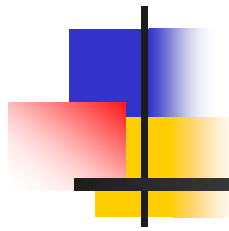


Commonwealth of Virginia

Compensation and Health Benefits

Department of Human Resource Management

House Appropriations Committee
Compensation and Retirement Subcommittee
General Assembly Building, Richmond, VA
January 13, 2011



Compensation



State Employee Salary FY10 – FY12

Budget Proposal

- Requires a 5% employee contribution to retirement plan effective July 2011
- Provides a 3% salary increase effective July 2011
- Provides up to a 2% potential bonus effective December 2011 if certain operational efficiency and spending reduction targets are met



Classified Employees Salaries

■ Average salary	\$41,941
■ Median Salary	\$37,432
■ Lowest Salary	\$15,371
■ Highest Salary	\$236,086



Classified Employees Pay Bands

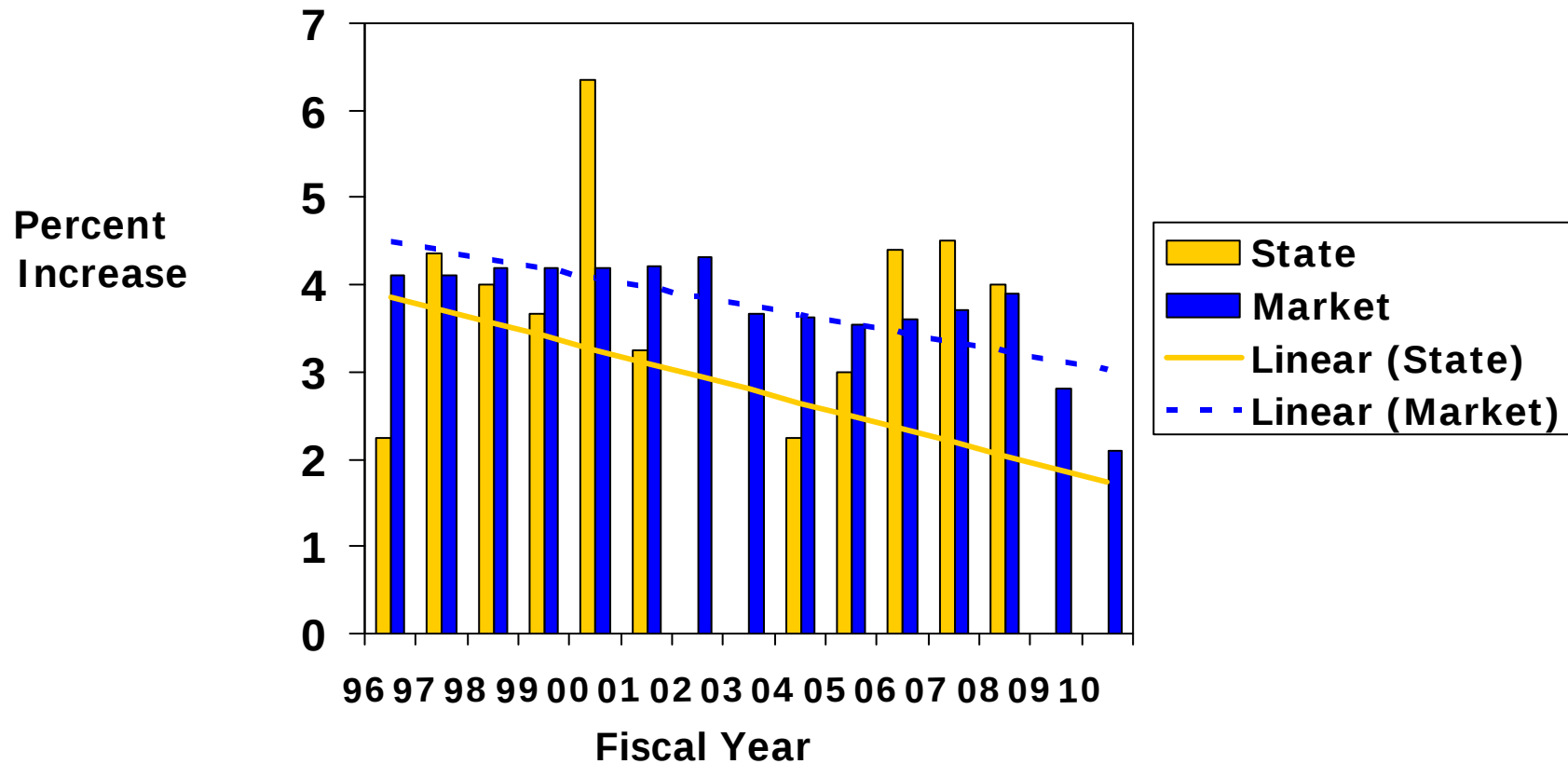
- Pay Band 3 has the most employees

BANDS	RANGE		EMPLOYEES	
	Minimum	Maximum	Number	Percent
1	\$ 15,371	\$ 31,548	2,696	3.90%
2	\$ 20,082	\$ 41,214	9,817	14.21%
3	\$ 23,999	\$ 49,255	23,466	33.97%
4	\$ 31,352	\$ 64,347	17,346	25.11%
5	\$ 40,959	\$ 84,062	11,626	16.83%
6	\$ 53,510	\$ 109,818	3,513	5.09%
7	\$ 69,907	\$ 143,470	404	0.58%
8	\$ 91,324	\$ 187,430	199	0.29%
9	\$ 119,308	MARKET	15	0.02%



State Employee Salary Comparison Market Increases

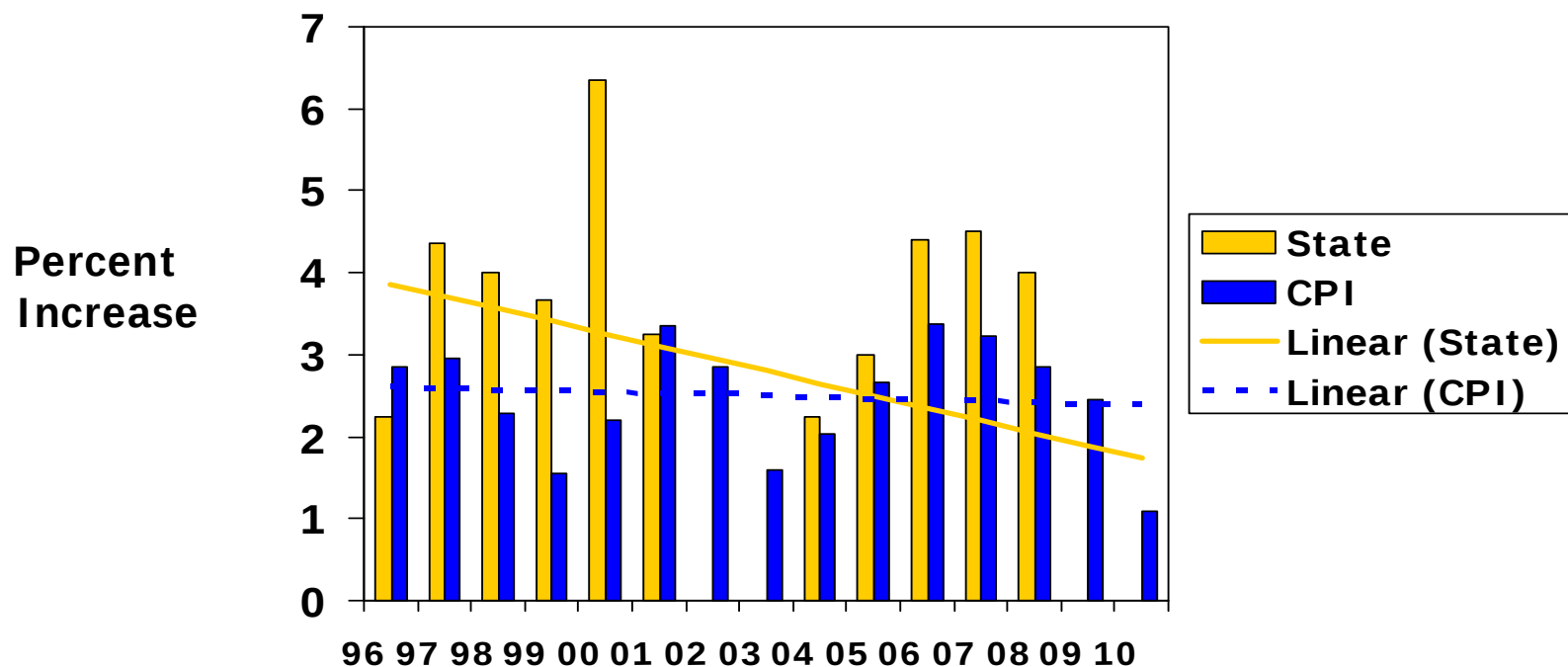
- State employee salary increases lag the market





State Employee Salary Comparison CPI Increases

- Consumer Price Index increases have surpassed State employee salary increases



Source: Appropriation Acts, Bureau of Labor Statistics



State Employee Salary Comparison Private Sector Salary

- On average, State salaries for selected occupations are 23.5% below Private Industry
- In 2008, JLARC found State compensation 12% below market
- By the end of 2011, State salaries will be 26.1% below market due to cumulative market movements

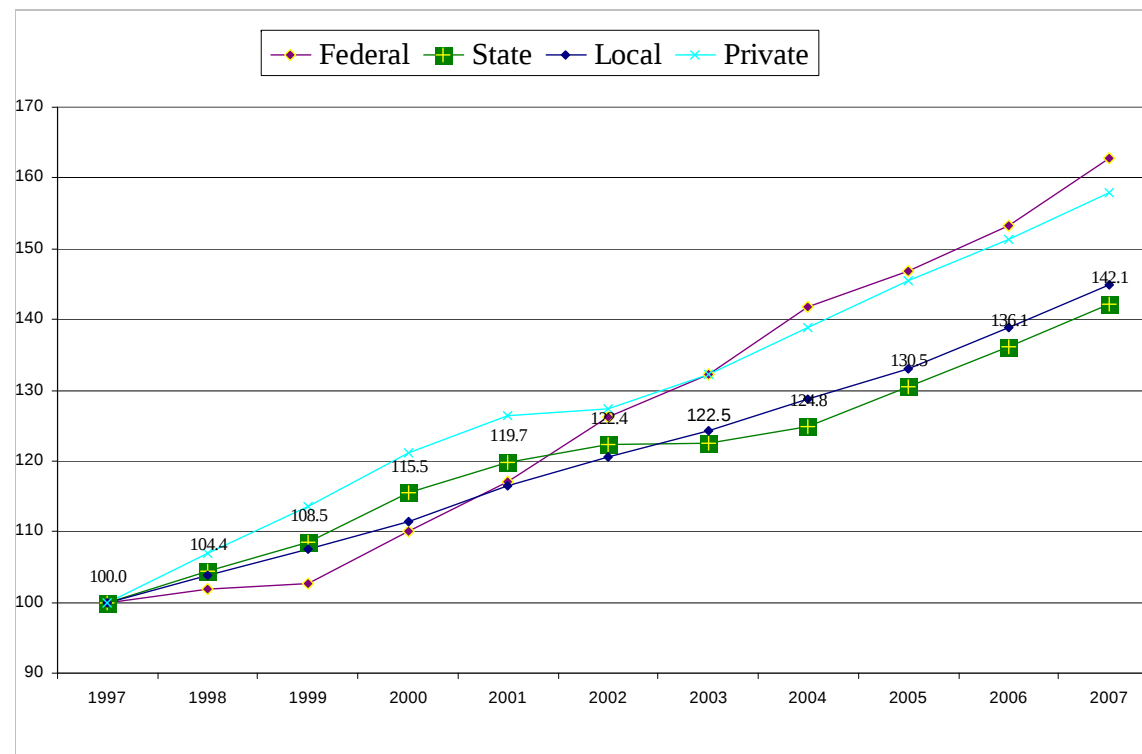
Occupation	Private Industry	State	Deviation
Truck Driver, Light	28135	19266	-46.04%
Cook	29568	24219	-22.08%
Security Guard, Unarmed	28033	25016	-12.06%
Laboratory Aide	27800	26004	-6.91%
Mail Clerk	32023	26143	-22.49%
Cashier	31205	29673	-5.16%
Secretary	38264	29621	-29.18%
Yard Laborer/Janitorial Supv	43993	31814	-38.28%
Maintenance Electrician	47881	37051	-29.23%
Marketing Specialist	50337	40985	-22.82%
Medical lab Tech	41200	42094	2.12%
Accountant	51360	43863	-17.09%
Social Worker (MSW)	53600	45130	-18.77%
Employee Training Specialist	54122	45339	-19.37%
Staff RN	61900	47366	-30.68%
Internal Auditor	71412	47590	-50.06%
Chemist	67218	55327	-21.49%
Attorney	111825	56349	-98.45%
HR Admin Supv	69673	58599	-18.90%
Environmental Engineer	64967	60879	-6.71%
Architect	81336	62267	-30.63%
Physical Therapist	71700	70672	-1.45%
Systems Analysis Supv	84610	76972	-9.92%
Data Base Administrator	91261	81979	-11.32%
Generic Engineer Supv	106300	87607	-21.34%

Source: PMIS, Towers Watson, Spring 2009 and 2010



State Employee Salary Comparison Average Weekly Wage

- Indexed to 1997 weekly wage
- State wages below all sectors since 2003





State Employee Salary Comparison Selected Localities

- State dropped below the locality average in FY 08

BASE SALARY INCREASES					
Locality	FY-05	FY-06	FY-07	FY-08	FY-09
Richmond City	3.00%	3.00%	3.00%	3.00%	3.00%
Charlottesville	3.00%	4.00%	4.00%	4.00%	4.00%
Montgomery County	5.50%	4.80%	2.50%	6.77%	5.50%
Fairfax County	4.32%	4.37%	4.40%	4.98%	4.98%
Chesterfield County	4.00%	3.00%	4.00%	5.25%	5.25%
Norfolk	4.00%	4.00%	4.50%	4.50%	3.50%
Chesapeake	3.00%	4.00%	4.00%	4.50%	4.50%
Augusta County	4.00%	4.00%	3.83%	3.06%	3.06%
Locality Average	3.85%	3.90%	3.78%	4.51%	4.22%
State Employees	3.00%	4.40%	4.50%	4.00%	0.00%



State Employee Salary Comparison National Market

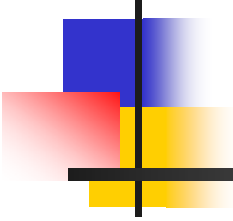
- National trends
 - Average salary increase
 - 2.31% in 2010
 - 2.80% in 2011
 - Average salary range adjustment
 - 2.10% in 2010
 - 2.40% in 2011



State Employee Salary Comparison

Pay Compression

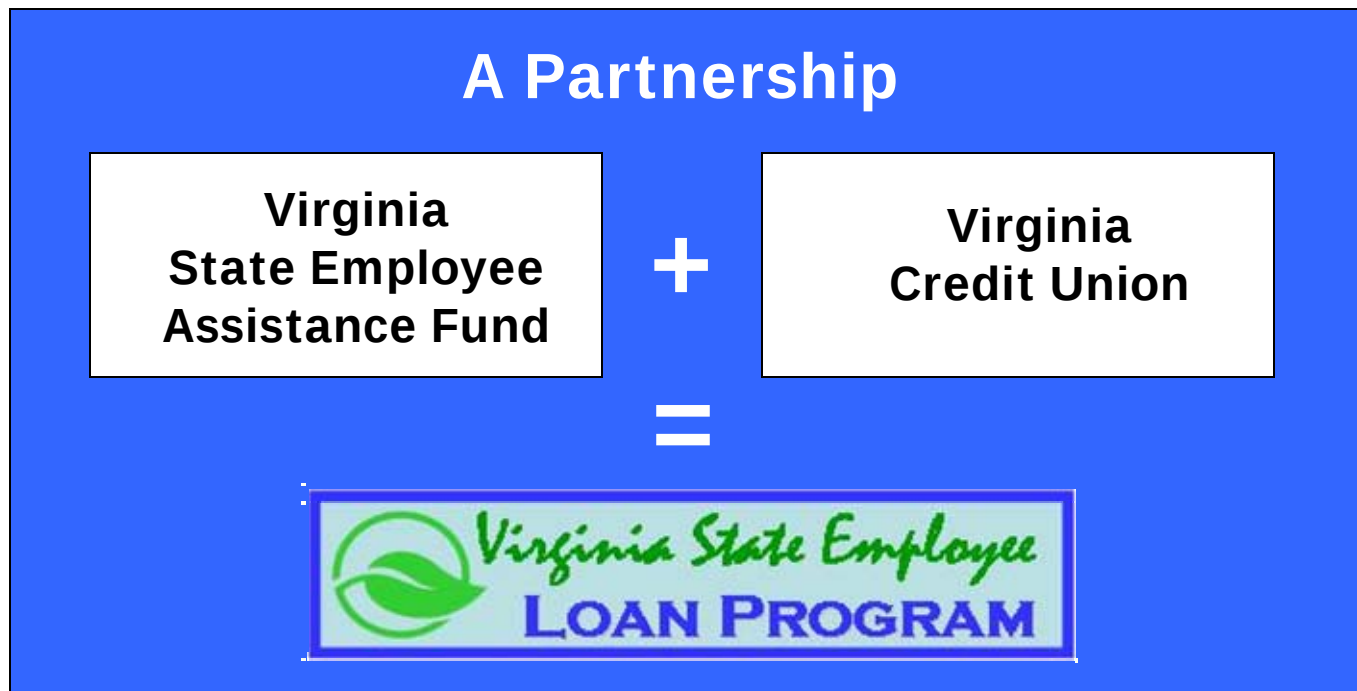
- Salary compression
 - New employees demand market rate
 - State salaries on average are below market
 - New hires potentially paid more than experienced employees
 - Lack of funding to address the issue
- Salary inequities



Virginia State Employee Loan Program (VSELP)



VSELP Program Design



- No state funds/tax dollars are used to make these loans
- No CVC designated gifts to charities are used to make these loans



VSELP Program Design

- Pilot program
- Loan
 - Borrow from \$100 to \$500 in \$100 increments
 - Up to 6 months to repay
 - No more than 2 loans per calendar year
 - APR of 24.99% with no fees
- Eligibility
 - Must be a non-probationary, salaried state employee
 - Must be a VACU Member with no adverse VACU history
 - Must successfully complete the online financial education module
- Repayment
 - Employee authorizes direct deposit from payroll into VACU account
 - Employee sets up automatic debit from VACU account to repay loan



VSELP

Statistics for 18 months

■ Total Amount Loaned	\$4,120,000
■ Average Loan Amount	\$500
■ Charge Off Rate	0.39%
■ Number of Borrowers	5,896
■ 1 loan	28%
■ 2 loans	51%
■ 3 loans	14%
■ 4 loans	7%



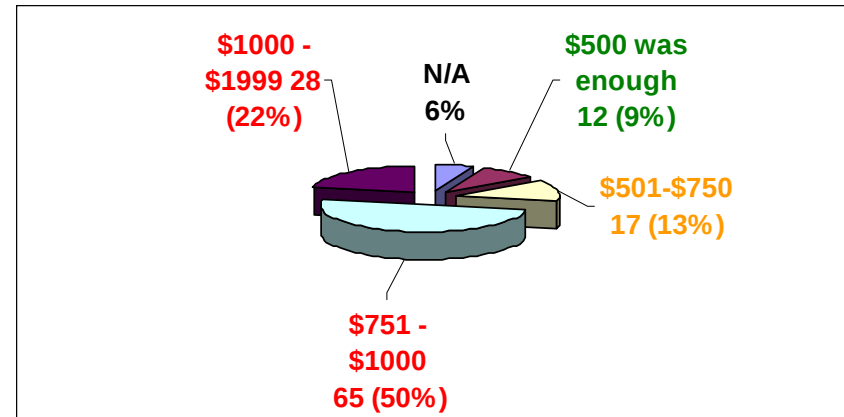
VSELP Customer Survey Results

- Most survey respondents said that easy access to loan application and funds, confidentiality, and repayment plan were important or very important.
- The educational component was helpful.
- Many respondents would have liked to borrow a greater amount.

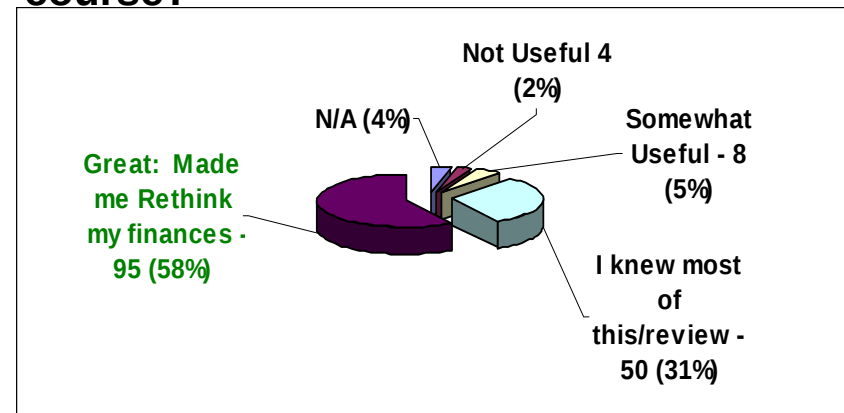
What is most important on this type loan?

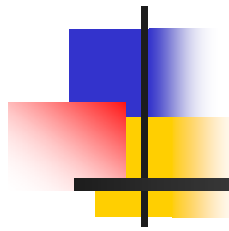
Loan Characteristic	N/A	Slightly Important	Important	Very Important
Provides Access to Loan Funds	14	2	18	129
Ease of Application	12	1	25	125
Confidentiality	11	2	8	142
Easy repayment	17	3	16	127

What should be the maximum loan value?



How useful was the financial education course?





Health Benefits



Health Benefits FY 12 Premiums

- Recommend no premium change for FY 2012

Plan	Current Monthly Cost	
	Employee	Employer
Employee Only	\$44	\$393
Employee Plus One	\$105	\$703
Family	\$154	\$1,027



Health Benefits Plan Design

National Health Reform Impact

- Effective January 1, 2011
 - Medical flexible reimbursement accounts no longer reimburse OTC drug expense
 - Retiree Medicare Part D premiums reduced due to 50% discount on brand name drugs in “donut hole”
- Effective July 1, 2011
 - Children up to age 26 eligible for coverage
 - Adds several covered preventive services
 - Abdominal aortic aneurysm screening
 - Obesity screening and counseling
 - Minor changes in processes for claim reviews and appeals



Health Benefits

National Health Reform

- Early Retiree Reinsurance Program (ERRP)
 - HHS has approved state application
 - Reimburse individual claims of \$15,000 - \$90,000
- Use of ERRP funds
 - Cannot be used for general fund expenses
 - Will be used to reduce health cost trend rate for employees and early retirees beginning in FY 2012
- Filing for ERRP funds
 - Health program will file for FY 10 claims in 1Q2011
 - Anticipate \$2.5 million reimbursement
 - Quarterly filing thereafter until ERRP funds depleted



Health Benefits

Health Insurance Fund (HIF)

- Since FY 2009, employee and employer premium increases offset by excess reserves in HIF
- Projected “ HIF burn-down” has slowed
 - Renegotiated contracts resulted in savings
 - Improved medical trend both nationally and for state program
 - Lower utilization of services by state employees
- At current “burn-down,” non-Medicare HIF balance projected at \$115 million in July 2012, down from \$236 million in July 2009



Health Benefits Actuarial Audit

- Budget language requires DHRM to conduct an actuarial audit of the state employee health insurance program
 - Procure actuarial services for peer review of benefits liabilities and contribution strategies to include:
 - Actuarial methodologies and accuracy of reports
 - Funding strategies
 - Rate setting methodologies
 - IBNR (incurred but not reported) liability assumptions
 - Actuarial models to determine impact of plan changes and monitor claims experience
 - Comparison of fully insured rates to those in marketplace
 - Actuarial results of GASB 43 and 45
 - Estimate peer review cost of \$350,000



Health Benefits

COVA Connect Pilot

- Public-private partnership launched in Hampton Roads selected zip codes in FY10
 - 10 percent of covered employees placed in pilot area
 - Extras added to COVA Connect to engage employees, drive better health outcomes and reduce costs
 - Optima Health administers all except dental benefits
- 8,100 employees identified with chronic conditions
- 23.6% member engagement rate is 2% higher than Optima book of business
- Financial incentive pilot program launch



Health Benefits

COVA Connect Satisfaction Survey

- Employee satisfaction survey conducted in summer 2010
- Overall plan satisfaction rate at 51% compared to 95% for COVA Care plan
- Change management issues
 - Compressed timeline for initial communication
 - Lack of choice
 - Provider network
 - Perceived difference in pharmacy cost
- Working with Optima Health to resolve network and pharmacy issues
- Communications increased on coverage and benefits



Health Benefits

TRICARE Supplemental Health Insurance

- Provide option for TRICARE supplemental health insurance plan for non-Medicare eligible military retirees
- Recent federal legislation permits employers to offer voluntary TRICARE supplemental coverage on a pre-tax basis
- Employer contribution not permitted
- Legislation required to permit TRICARE supplemental coverage under the state's IRC Section 125 cafeteria plan
 - HB 1761(Cox)
- RFP for procurement of TRICARE supplemental coverage vendor anticipated in 1Q 2011
- Special enrollment in 2011 for eligible state employees



Resources

- Department of Human Resource Management
<http://www.dhrm.virginia.gov>
- Annual Salary Survey
<http://www.dhrm.virginia.gov/reports/AnnualSalaryReport2010.pdf>
- Annual Health Benefits Report
<http://www.dhrm.virginia.gov/hbenefits/ohbcommunications/reports/annualreport2010.pdf>
- Annual Virginia State Employee Loan Program Report
<http://www.cvc.vipnet.org/communications.htm>