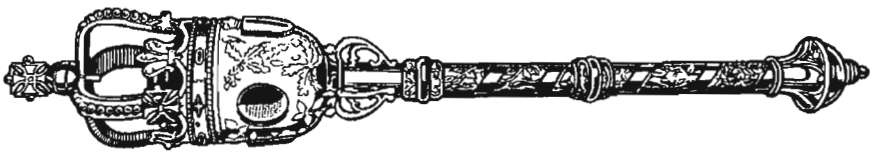
Report of the House Appropriations Subcommittee

on

Compensation & Retirement



House Bill 29

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House Bill 30

February 21, 2016

REPORT OF THE SUBCOMMITTEE
on
COMPENSATION AND RETIREMENT

Mr. Chairman and Members of the Committee:

On behalf of the Compensation and Retirement Subcommittee, I am very pleased to present to you our budget recommendations. First, I want to thank the Chairman for his support and guidance during not just this session but since I have become chairman of this subcommittee three years ago.

As all of us know, the two issues of adequately compensating our employees and ensuring the financial soundness of our retirement system are complex issues, and as with most of the complex issues we face they will not be resolved during one General Assembly session or one budget. This is why I commend your commitment Mr. Chairman, and the commitment of this Committee, to address these issues on an annual basis in a consistent well-thought out manner.

As has been the case over the past several sessions, the work of this subcommittee focused on two primary goals. The first goal, with the support of all the members of the committee, was to find the resources to provide increased compensation to our employees on an annual basis. The second was to continue to work to ensure that our benefit programs, both the retirement system and the State Employee Health Insurance fund, were appropriately funded with both the current biennium and the future in mind.

I am happy to report that both the budget recommendations of the subcommittee accomplish both of those goals.

The first goal of providing increased compensation to our employees this year, was challenging given that the budget, as intro-

duced in December, did not include any funding for an across the board salary increase during the first year of the biennium, though it did include $76.2 million in a revenue reserve for a two percent salary adjustment in the second year. While providing for a salary adjustment in the second year of the biennium was a starting point, the members of the subcommittee felt strongly that providing our employees a salary adjustment every other year would just result in our compensation package falling further below the market level.

To this end I am proud to report that the subcommittee's recommendations include $71.5 million GF in FY 2017 and $126.5 million GF in FY 2018 to provide a 3.0% salary adjustment for state and state-supported local employees in the first year. Furthermore, the recommendations include a revenue reserve in the second year of $28.2 million general fund which would provide an additional one percent salary increase. It is the hope of the subcommittee that this will be our starting point when we return here next January and that we will have sufficient resources to increase the second year adjustment.

I am equally proud to announce the subcommittee's recommendations regarding the funding for our retirement system. First off, included in the recommendations for House Bill 29 is a lump sum payment of approximately $189 million to the Retirement System which will fully repay the VRS for the 2010-12 biennium deferred contributions for the four state employee plans. This repayment will be completed six years early than the original schedule.

In addition to the early repayment of the deferred contributions I am happy to report that the subcommittee is recommending funding the retirement contribution rates for the four state employee retirement systems at 100% of the VRS Board certified rates beginning in fiscal year 2017, which would be two fiscal years earlier than the scheduled phase-in based on Chapters 701 and 823 of the 2012 General Assembly Session.

I am pleased to report that the subcommittee recommendations include funding for increases in the premium for the State Employee

Health Insurance Plan in both the first year and the second year. This action is consistent with this Committees often stated goal of producing a structurally balanced budget.

While I am very pleased to announce these budget recommendations, I would also like to acknowledge two very important pieces of legislation adopted by subcommittee this session. House Bill 1345, the Chairman's comprehensive reform of the Line of Duty Act, which I know for a fact the Chairman has spent much of the past two years working on, will significantly improve the program and ensure that the benefits will be available to those who truly need them. In addition, House Bill 665 patroned by the Speaker which will establish the Commission on Employee Retirement Security & Pension Reform. I believe this Commission will give us time to thoroughly review our retirement system and compensation levels and to build upon the good work performed by this committee over the years.

Finally, Mr. Chairman, I would like to take this opportunity to thank the members of this Subcommittee for their hard work this Session.

Mr. Chairman and fellow Committee members, I will ask staff to take you through our detailed recommendations, and then I hope it will be your pleasure to adopt our Subcommittee report.

Respectfully Submitted by the House Appropriations Subcommittee on Compensation & Retirement:

Charles D. Poindexter, Chairman

Riley E. Ingram

L. Scott Lingamfelter

James P. Massie, III

T. Scott Garrett

Betsy B. Carr

Delores L. McQuinn

House Bill 29 Compensation and Retirement Amendment	General Fund	Nongeneral Fund
Central Appropriations		
Central Appropriations		
Lump Sum Repayment to VRS	$188,884,220	
Part 3		
Interfund Transfers		
Transfer NGF Balances to VRS to Expedite Repayment	Language	
Part 4		
Positions and Employment		
Establish Salary Ranges for Legislative Agency Heads	Language	

House Bill 30 Compensation and Retirement Amendment	General Fund	Nongeneral Fund	FTEs
Legislative Department			
General Assembly of Virginia			
Clarify Legislative Assistant Language	Language		
Establish a Salary Range for the Chief, Division of Capitol Police	Language		
Commission on Alcohol Safety Action Program			
Establish Salary Range for Executive Director of VASAP	Language		
Joint Legislative Audit and Review Commission			
Establish Salary Range for Director of JLARC	Language		
Office of Administration			
Compensation Board			
Redirect Funding for Sheriffs' Career Development Programs	($3,813,188)		
Redirect Funding for Compresssion Plan for Sheriffs and their Employees	($12,352,326)		
Redirect Funding for Commissioners of Revenue CDP	($475,230)		
Redirect Funding for Assistant Commonwealth Attorney's CDP	($1,133,002)		
Redirect Funding for Circuit Court Clerks' Career Development Programs	($1,237,634)		
Redirect Funding for Treasurers' Career Development Programs	($264,626)		
Department of Human Resource Management			
HB 665 - Administrative Support for Retirement Commission	$300,000		
Analysis of Pharmacy Claims Expenditures	Language		
Office of Finance			
Department of Accounts Transfer Payments			
Line of Duty Election - Exception for RSW Regional Jail	Language		
Veterans and Defense Affairs			
Department of Veterans Services			
Redirect Funding for DVS Pay Actions	($900,000)		
Central Appropriations			
Central Appropriations			
Pilot Program for Treatment of Musculoskeletal Injuries	Language		
Adjust VRS Rates and Funding to Reflect Expedited Repayment	($43,997,946)		
Eliminate Proposal to Pick-up Employee Health Ins. Premium Increase	($5,884,370)		
Provide 3% Salary Increase in FY 2017 & 1% Increase in FY 2018	$149,928,782		
Fund 2nd Phase of State Police Compression Adjustment	$12,186,726		
Independent Agencies			
Virginia Retirement System			
Notification of Politicaal Subdivisions in Arrears	Language		
Eliminate New Funding for a Change Management Expert		($227,140)	
Workers Compensation Commission			
HB 378 - Workers Compensation Fee Schedule	$1,000,000		
Part 4			
Employee Compensation			
Technical Amendment Adjusting Pay Day for July 1	Language		
Positions and Employement			
Delete Obsolete Language Regarding Employee Benefits	Language		

Item 467 #1h

Central Appropriations	**FY14-15**	**FY15-16**	
Central Appropriations	$0	$188,884,220	GF

Language:

Page 174, line 34, strike "$226,659,581" and insert "$415,543,801".
Page 184, after line 39, insert:
"Z. On or before June 30, 2016, the State Comptroller shall deposit $188,884,220 from the general fund into the Virginia Retirement System (VRS) trust fund representing the expedited repayment to the VRS for the contributions that were deferred during the 2010-12 biennium. $161,807,946 from the deposit shall be allocated to the state employee plan, $8,465,759 shall be allocated to the Judicial Retirement System, $16,491,559 shall be allocated to the Virginia Law Officers Retirement System, and $2,118,956 shall be allocated to the State Police Officers Retirement System."

Explanation:

(This amendment provides $188.9 million from the general fund to expedite the repayment to the VRS of the 2010-12 biennium deferred retirement contributions for the four state employee plans.)

Item 3-1.01 #2h

Transfers

Interfund Transfers — Language

Language:

Page 215, after line 14, insert:
"AA. On or before June 30, 2016, the State Comptroller shall transfer $598,327 from unobligated nongeneral fund cash balances within the Virginia Department of Game and Inland Fisheries (DGIF) to the Virginia Retirement System (VRS) representing DGIF's portion of the remaining liability from the VRS contributions that were deferred during the 2010-12 biennium."

Explanation:

(This amendment authorizes the transfer of $598,327 from the nongeneral fund cash balances to the Virginia Retirement System to expedite the repayment to the VRS of the 2010-12 biennium deferred contributions. A companion amendment in Item 467 deposits $188.9 million from the general fund into the VRS. In combination, these two amendments will fully repay the VRS for the deferred payments for the four state employee plans.)

Item 4-6.01 #1h

Positions and Employment

Employee Compensation — Language

Language:

Page 265, after line 22, insert:
"t.1. Notwithstanding the salaries set out in Items 2, 4, 5, and 6, the Committee on Joint Rules may establish salary ranges for such agency heads consistent with the provisions and salary ranges included in § 4-6.01 of this act.
2. Notwithstanding the salaries listed in Item 3 of this act, the Commission on the Virginia Alcohol Safety Action Program may establish a salary range for the Executive Director of the program.
3. Notwithstanding the salaries listed in Item 30 of this a ct, the Joint Legislative Audit and Review Commission (JLARC) may establish a salary range for the Director of JLARC."

Explanation:

(This amendment authorizes the establishment of salary ranges for the Chief of the Capitol Police, the Executive Director of VASAP, and the Director of JLARC.)

Item 1 #1h

Legislative Department

General Assembly of Virginia — Language

Language:

Page 6, line 29, after "C." strike "A" and insert "One".

Explanation:

(This amendment clarifies that only one legislative assistant per member may receive benefits.)

Item 1 #5h

Legislative Department

General Assembly of Virginia — Language

Language:

Page 8, line 25, after "2," insert "4,".

Explanation:

(This amendment includes the Chief of Capitol Police in language which authorizes the Committee on Joint Rules to establish salary ranges for certain legislative agency head positions.)

Item 3 #1h

Legislative Department

Commission on the Virginia Alcohol Safety Action Program — Language

Language:

Page 11, line 12, before "Out" insert "A.".
Page 11, after line 14 insert:
"B. Notwithstanding the salaries listed in paragraph A. of this item, the Commission on the Virginia Alcohol Safety Action Program may establish a salary range for the Executive Director of the program."

Explanation:

(This amendment is self-explanatory.)

Item 33 #3h

Legislative Department

Joint Legislative Audit and Review Commission — Language

Language:

Page 21, after line 20 insert:
"J. Notwithstanding the salaries listed in paragraph A. of this item, the Joint Legislative Audit and Review Commission (JLARC) may establish a salary range for the Director of JLARC."

Explanation:

(This amendment is self-explanatory.)

Item 85 #1h

Administration

Administration of Health Insurance — Language

Language:

Page 67, after line 45, insert:
"H. The Director of the Department of Human Resource Management shall analyze pharmacy claims data from the past biennium in order to assess the value of payments made to the state employee health plan's network pharmacies and payments made to the state employee health program's contracted health insurance plans. The Director shall identify and report any difference in value in payments made to network pharmacies and to the contracted health insurance plans and shall make recommendations to the Chairmen of the House Appropriations Committee and Senate Finance Committees by October 1, 2016."

Explanation:

(This amendment is self-explanatory.)

Item 269 #1h

Finance

Department of Accounts Transfer Payments — Language

Language:

Page 213, line 37, after "2012" insert:
"or for the RSW Regional Jail Authority on or before July 1, 2016,".

Explanation:

(This amendment give RSW Regional Jail the option of electing to provide Line of Duty

benefits to their employees outside of the state run plan as it was not in existence when the original opt-out period took place.)

Item 475 #3h

Central Appropriations

Central Appropriations — Language

Language:

Page 399, after line 6, insert:
"7. The Department of Human Resources Management shall develop and implement a pilot program beginning on July 1, 2016 for a single payment per episode for all services and costs spanning multiple providers across multiple settings for musculoskeletal injury claims. The results of this pilot program, to include changes in return-to-work following injury times and costs of single payment per episode versus traditional payment per visit claim payments, shall be reported to the Governor, the Chairmen of the House Appropriations Committee and the Senate Finance Committee by August 1, 2018."

Explanation:

(This amendment establishes a pilot program under the state employee health insurance program which sets a single payment per episode for all services and costs spanning multiple providers across multiple settings for musculoskeletal injury claims. This pilot program is consistent with recommendations of a report completed by the Department in June of 2014 .)

Item 489 #1h

Independent Agencies

Virginia Retirement System — Language

Language:

Page 415, after line 39, insert:
"E. The Board of Trustees of the Virginia Retirement System shall provide notification to the Chairmen of the House Appropriations Committee and Senate Finance Committee when a political subdivision becomes more than 60 days in arrears in their contributions to the Virginia Retirement System. Such notification shall occur within 15 days of when the 60 day period has occurred."

Explanation:

(This amendment is self-explanatory.)

Item 4-6.01 #1h

Positions and Employment

Employee Compensation — Language

Language:

Page 491, line 26, after "k.1." insert "a."
Page 491, after line 35, insert:
"b. Notwithstanding any other provision of law, state employees will be paid on the first workday of July for the work period June 10 to June 24 in any calendar year in which July 1 falls on a weekend."

Explanation:

(This amendment makes a technical adjustment to ensure that the payroll that would normally be paid on July 1, 2017, the first day of fiscal year 2018, is paid in and charged to fiscal year 2018 as would normally be the case. This amendment is needed because July 1, 2017 is a Saturday.)

Item 4-6.03 #1h

Positions and Employment

Employee Benefits — Language

Language:

Page 493, strike lines 46 through 52.

Explanation:

(This amendment deletes language included in the budget in 2014 making an exception to VRS retirement return to work provisions if an individual is appointed as an interim president of a higher education institution as a result of there being significant management deficiencies. This language is no longer needed as the issue has been addressed.)