2010 Session

Budget Bill - HB30 (Introduced)

Central Appropriations

Item 469	First Year - FY2011	Second Year - FY2012
Compensation and Benefit Adjustments (75700)	**-$38,270,141**	**$11,041,200**
Adjustments to Employee Compensation (75701)	-$11,855,589	-$11,855,589
Adjustments to Employee Benefits (75702)	-$26,414,552	$22,896,789
Fund Sources:		
General	-$38,270,141	$11,041,200

Authority: Discretionary Inclusion.

A. Transfers to or from this Item may be made to decrease or supplement general fund appropriations to state agencies for:

1. Adjustments to base rates of pay;

2. Adjustments to rates of pay for budgeted overtime of salaried employees;

3. Salary changes for positions with salaries listed elsewhere in this act;

4. Salary changes for locally elected constitutional officers and their employees;

5. In-band salary adjustments for employees subject to the Virginia Personnel Act to recognize changes in duties or professional skill development, establish internal alignment (equitable salary relationships), or respond to labor market conditions (retention);

6. Employer costs of employee benefit programs when required by salary-based pay adjustments;

7. Salary changes for local employees supported by the Commonwealth, other than those funded through appropriations to the Department of Education; and

8. Adjustments to the cost of employee benefits to include but not limited to health insurance premiums and retirement and related contribution rates.

B. Transfers from this Item may be made when appropriations to the state agencies concerned are insufficient for the purposes stated in paragraph A of this Item, as determined by the Department of Planning and Budget, and subject to guidelines prescribed by the department. Further, the Department of Planning and Budget may transfer appropriations within this Item from the second year of the biennium to the first year, when necessary to accomplish the purposes stated in paragraph A of this Item.

C. Except as provided for elsewhere in this Item, agencies supported in whole or in part by nongeneral fund

sources, shall pay the proportionate share of changes in salaries and benefits as required by this Item, subject to the rules and regulations prescribed by the appointing or governing authority of such agencies. Nongeneral fund revenues and balances required for this purpose are hereby appropriated.

D.1. The Governor shall suspend the transfer of funds from agency general and nongeneral fund appropriations to the deferred compensation cash match accounts of participating state employees.

2. The procurement of services related to the maintenance of existing balances in deferred compensation cash match accounts shall be governed by standards set forth in § 51.1-124.30 C, Code of Virginia, and shall not be subject to the provisions of Chapter 7 (§ 11-35 et seq.), Title 11, Code of Virginia.

3. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at $11,855,589 the first year and $11,855,589 the second year, from the general fund appropriations of state agencies and institutions of higher education, representing savings from the suspension of the state employee deferred compensation cash match program as provided for in this paragraph.

4. Pursuant to § 3-1.01 of this act, amounts estimated at $6,983,263 the first year and $6,983,263 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing nongeneral fund savings associated with the suspension of the state employee deferred compensation cash match program as provided for in this paragraph.

E. The Secretary of Administration, in conjunction with the Secretary of Finance, may establish a program that allows for the sharing of cost savings from improved productivity and performance with agencies and employees. Such gain sharing programs require a management philosophy of open communication encouraging employee participation; a system which seeks, evaluates and implements employee input on increasing productivity; and a formula for measuring productivity gains and sharing these gains between employees and the agency. The Department of Human Resource Management, in conjunction with the Department of Planning and Budget, shall develop specific gain sharing program guidelines for use by agencies. The Department of Human Resource Management shall provide to the Governor, the Chairmen of the House Appropriations and Senate Finance Committees an annual report no later than October 1 of each year detailing identified savings and their usage.

F.1. Out of the appropriation for this Item, amounts estimated at $20,281,028 the first year and $57,512,461 the second year from the general fund shall be transferred to state agencies and institutions of higher education to support the general fund portion of costs associated with changes in the employer's share of premiums paid for the Commonwealth's health benefit plans.

2. Notwithstanding any contrary provision of law, the health benefit plans for state employees resulting from the additional funding in this Item shall allow for a portion of employee medical premiums to be charged to employees.

3. The Department of Human Resources Management shall explore options within the health insurance plan for state employees to promote value-based health choices aimed at creating greater employee satisfaction with lower overall health care costs. It is the General Assembly's intent that any savings associated with this employee health care initiative be retained and used towards funding state employee salary or fringe benefit cost increases.

4. Notwithstanding any provision of law, effective July 1, 2009, coverage for lap band and gastric bypass surgery under the state employee health insurance program shall be conditional on the successful participation in a progressive weight management program to be developed by the Department of Human Resource Management.

G. Out of the general fund appropriation for this Item is included $3,077,123 the first year and $3,692,986 the second year to support the general fund portion of the costs associated with changes in premiums paid by state agencies on behalf of their employees for workers compensation coverage. The Director, Department of Planning

and Budget, is authorized to transfer these funds to the impacted state agencies based upon new workers compensation premiums as provided by the Department of Human Resource Management. Also, the Director, Department of Planning and Budget, is authorized to transfer funds between agencies based on these new premiums.

H.1. Notwithstanding the provisions of § 51.1-166B, in connection with post-retirement supplements for any person commencing employment or reemployment on or after July 1, 2010, the annual increase in the Consumer Price Index shall be considered only to the extent of two percent plus one-half of such additional increase up to six percent.

2. Notwithstanding the provisions of § 51.1-153B.2, any state employee, teacher, or employee of a political subdivision, commencing employment with no prior service credit on or after July 1, 2010 who is a member of the retirement system may retire prior to his normal retirement date after attaining age fifty-five and thirty years of creditable service, upon written notification to the Board setting forth the date the retirement is to become effective. The benefit for such member shall be calculated in accordance with the provisions of subdivision A 1 of § 51.1-155.

3. Notwithstanding the provisions of § 51.1-205B, any member of the State Police Officers' Retirement System commencing employment with no prior service credit on or after July 1, 2010 who has attained his fifty-fifth birthday with five or more years of creditable service (i) as a member in the retirement system established by Chapter 1 of Title 51.1, (ii) as a member in the retirement system established by Chapter 2.1 of Title 51.1, or (iii) while earning the benefits permitted by § 51.1-138 may retire upon written notification to the Board setting forth the date the retirement is to become effective.

4. Notwithstanding the provisions of § 51.1-216B.2, any member of the Virginia Law Officers' Retirement System commencing employment with no prior service credit on or after July 1, 2010 who has attained his fifty-fifth birthday with five or more years of creditable service (i) as a member in the retirement system established by Chapter 1 of Title 51.1, (ii) as a member in the retirement system established by Chapter 2 of Title 51.1, or (iii) while earning the benefits permitted by § 51.1-138 may retire upon written notification to the Board setting forth the date the retirement is to become effective.

5. Contribution rates paid to the Virginia Retirement System for the retirement benefits of public school teachers, state employees, state police officers, state judges, and state law enforcement officers eligible for the Virginia Law Officers Retirement System shall be based on a valuation of retirement assets and liabilities that assume an investment return of eight percent and an amortization period of 30 years.

6. Retirement contribution rates for the first year and the second year, excluding the five percent employee portion, shall be: 10.49 percent for public school teachers, 6.58 percent for state employees, 21.16 percent for state police officers, 13.09 percent for the Virginia Law Officers Retirement System, and 42.58 percent for the Judicial Retirement System.

7. Out of the general fund appropriation for this Item is included $6,839,113 the first year and $7,136,455 the second year to support the general fund portion of the net costs resulting from changes in employer contributions for state employee retirement as provided for in this paragraph.

8. Pursuant to § 3-1.01 of this act, amounts estimated at $258,636 the first year and $269,882 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing nongeneral fund savings associated with reductions in employer contributions for the Virginia Law Officers Retirement System as provided for in this paragraph.

9. Costs necessary to support the increased costs of reimbursements to Constitutional Officers resulting from changes in retirement contributions as provided for in this paragraph are appropriated elsewhere in this act under

the Compensation Board.

10. Costs associated with the retirement contribution rate change for public school teachers as provided for in this paragraph are appropriated elsewhere in this act under Direct Aid to Public Education.

I.1. Contribution rates paid to the Virginia Retirement System for other employee benefits to include the public employee group life insurance program, the Virginia Sickness and Disability Program, the state employee retiree health insurance credit, and the public school teacher retiree health insurance credit, shall be based on a valuation of assets and liabilities that assume an investment return of eight percent and an amortization period of 30 years.

2. Contribution rates paid on behalf of public employees for other programs administered by the Virginia Retirement System in the first year and the second year shall be: 1.02 percent for the public employee group life insurance program, 0.66 percent for the Virginia Sickness and Disability Program, 0.99 percent for the state employee retiree health insurance credit, and 1.01 percent for the public school teacher retiree health insurance credit.

3. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at $983,313 the first year and $1,026,049 the second year, from the general fund appropriations of state agencies and institutions of higher education, representing the net savings resulting from changes in contribution rates for state employee benefits as provided for in this paragraph.

4. Pursuant to § 3-1.01 of this act, amounts estimated at $4,255,005 the first year and $4,439,969 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing nongeneral fund savings associated with savings resulting from changes in contribution rates for state employee benefits as provided for in this paragraph.

5. The net costs associated with the increased costs of reimbursements to Constitutional Officers resulting from changes in public employee group life insurance contributions as provided for in this paragraph are appropriated elsewhere in this act under the Compensation Board.

6. The net costs associated with the public school teacher group life insurance and public school teacher retiree health insurance credit rate changes as provided for in this paragraph are appropriated elsewhere in this act under Direct Aid to Public Education.

J.1. Notwithstanding the provisions of § 51.1-144F, any employer may elect, in a manner prescribed by the Board, to pay an equivalent amount in lieu of all or any portion of the member contributions required of its employees. Such payments shall be credited to the members' contribution account. These contributions shall not be considered wages for purposes of Chapter 7 Title 51.1, nor shall they be considered to be salary for purposes of Chapter 1 of Title 51.1.

2. Every "state employee" as defined in § 51.1-124.3 who is covered by the defined benefit plan established under Chapter 1 of Title 51.1, and every member of (i) the State Police Officers' Retirement System (Chapter 2 of Title 51.1), (ii) the Virginia Law Officers' Retirement System (Chapter 2.1 of Title 51.1), and (iii) the Judicial Retirement System (Chapter 3 of Title 51.1), shall pay member contributions to the Virginia Retirement System on a salary reduction basis in accordance with § 414 (h) of the Internal Revenue Code, (a) effective July 1, 2010, in the amount of 1 percent of creditable compensation and the employer shall pay 4 percent pursuant to § 51.1-144F, and (b) effective July 1, 2011, in the amount of 2 percent of creditable compensation and the employer shall pay 3 percent pursuant to § 51.1-144F.

3. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at $18,288,833 the first year and $37,372,867 the second year, from the general fund appropriations of state agencies and institutions of higher education, representing savings from the state employee retirement contribution

funding changes provided for in this paragraph.

4. Pursuant to § 3-1.01 of this act, amounts estimated at $12,045,046 the first year and $24,613,806 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing nongeneral fund savings associated with the state employee retirement contribution funding changes provided for in this paragraph.

K.1. Notwithstanding the provisions of § 51.1-126F.1, effective July 1, 2010, the contribution by the Commonwealth on behalf of an employee participating in an optional retirement plan maintained by the Board of Trustees of the Virginia Retirement System or on behalf of an employee participating in an optional retirement plan established by his institution of higher education under § 51.1-126 to such employee's retirement plan shall be 9.4 percent of creditable compensation, and the employee shall be required to contribute 1 percent of creditable compensation on a salary reduction basis in accordance with § 414 (h) of the Internal Revenue Code.

2. Notwithstanding the provisions of § 51.1-126F.1, effective July 1, 2011, the contribution by the Commonwealth on behalf of an employee participating in an optional retirement plan maintained by the Board of Trustees of the Virginia Retirement System or on behalf of an employee participating in an optional retirement plan established by his institution of higher education under § 51.1-126 to such employee's retirement plan shall be 8.4 percent of creditable compensation, and the employee shall be required to contribute 2 percent of creditable compensation on a salary reduction basis in accordance with § 414 (h) of the Internal Revenue Code.

3. Notwithstanding the provisions of § 51.1-126.5G, a "participating member" as defined in § 51.1-126.5A shall be required to contribute on a salary reduction basis in accordance with § 414 (h) of the Internal Revenue Code, (i) effective July 1, 2010, 1 percent of creditable compensation and (ii) effective July 1, 2011, 2 percent of creditable compensation.

4. Notwithstanding the provisions of § 51.1-126.6D, a school board at its option may require an eligible employee to contribute on a salary reduction basis in accordance with § 414 (h) of the Internal Revenue Code, (i) effective July 1, 2010, 1 percent of creditable compensation and (ii) effective July 1, 2011, 2 percent of creditable compensation.

5. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at $3,448,141 the first year and $7,046,197 the second year, from the general fund appropriations of state agencies and institutions of higher education, representing savings from the optional retirement plan contribution funding changes provided for in this paragraph.

6. Pursuant to § 3-1.01 of this act, amounts estimated at $3,923,914 the first year and $8,018,435 the second year shall be transferred from eligible nongeneral fund accounts to the general fund, representing nongeneral fund savings associated with the optional retirement plan contribution funding changes provided for in this paragraph.

L.1. Notwithstanding any provision to the contrary, any references to a period of 14 days or a period of 28 days in §§ 51.1-1111, -1112, -1122, and -1123 of the Virginia Sickness and Disability Program (VSDP) are hereby changed to a period of 45 days. Moreover, the period of 45 days shall be consecutive days that the participating employee is (i) actively at work and (ii) fully released to return to work full time, full duty. The Virginia Retirement System shall develop policies and procedures to administer the effects of the 45-day period in connection with participants who are deemed to have a major chronic condition.

2. Notwithstanding any provision to the contrary, any eligible employee commencing employment or re-employment on or after July 1, 2010, shall not be entitled to receive Virginia Sickness and Disability Program benefits under Article 3, Chapter 11 of Title 51.1 (Nonwork Related Disability Benefits) until the employee completes one continuous year of active employment or re-employment.

3. Notwithstanding any provision to the contrary, for all eligible employees commencing employment or re-employment on or after July 1, 2010, short-term disability coverage under the Virginia Sickness and Disability Program shall provide income replacement for no more than 60 percent of a participating employee's creditable compensation for the first 60 months of continuous state service after employment or re-employment.

M. Notwithstanding the provisions of § 2.2-3205(A), Code of Virginia, the terminating agency shall not be required to pay the Virginia Retirement System the costs of enhanced retirement benefits provided for in § 2.2-3204(A), Code of Virginia. Instead, the entire cost of such benefits for involuntarily separated employees shall be factored into the employer contribution rates paid to the Virginia Retirement System beginning with the June 30, 2011 actuarial valuation.

N. The purpose of this paragraph is to provide a transitional severance benefit, under the conditions specified, to eligible city, county, school division or other political subdivision employees who are involuntarily separated from employment with their employer.

1.a. "Involuntary separation" includes, but is not limited to, terminations and layoffs from employment with the employer, or being placed on leave without pay-layoff or equivalent status, due to budget reductions, employer reorganizations, workforce downsizings, or other causes not related to the job performance or misconduct of the employee, but shall not include voluntary resignations. As used in this paragraph, a "terminated employee" shall mean an employee who is involuntarily separated from employment with his employer.

b. The governing authority of a city, county, school division or other political subdivision electing to cover its employees under the provisions of this paragraph shall adopt a resolution, as prescribed by the Board of Trustees of the Virginia Retirement System, to that effect. An election by a school division shall be evidenced by a resolution approved by the Board of such school division and its local governing authority.

2.a. Any (i) “eligible employee” as defined in § 51.1-132, (ii) “teacher” as defined in § 51.1-124.3, and (iii) any “local officer” as defined in § 51.1.124.3 except for the treasurer, commissioner of the revenue, attorney for the Commonwealth, clerk of a circuit court, or sheriff of any county or city, and (a) for whom reemployment with his employer is not possible because there is no available position for which the employee is qualified or the position offered to the employee requires relocation or a reduction in salary and (b) whose involuntary separation was due to causes other than job performance or misconduct, shall be eligible, under the conditions specified, for the transitional severance benefit conferred by this paragraph. The date of involuntary separation shall mean the date an employee was terminated from employment or placed on leave without pay-layoff or equivalent status.

b. Eligibility shall commence on the date of involuntary separation.

3.a. On his date of involuntary separation, an eligible employee with (i) two years' service or less to the employer shall be entitled to receive a transitional severance benefit equivalent to four weeks of salary; (ii) three years through and including nine years of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to four weeks of salary plus one additional week of salary for every year of service over two years; (iii) ten years through and including fourteen years of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to twelve weeks of salary plus two additional weeks of salary for every year of service over nine years; or (iv) fifteen years or more of consecutive service to the employer shall be entitled to receive a transitional severance benefit equivalent to two weeks of salary for every year of service, not to exceed thirty-six weeks of salary.

b. Transitional severance benefits shall be computed by the terminating employer's payroll department. Partial years of service shall be rounded up to the next highest year of service.

c. Transitional severance benefits shall be paid by the employer in the same manner as normal salary. In accordance with § 60.2-229, transitional severance benefits shall be allocated to the date of involuntary separation.

The right of any employee who receives a transitional severance benefit to also receive unemployment compensation pursuant to § 60.2-100 et seq. shall not be denied, abridged, or modified in any way due to receipt of the transitional severance benefit; however, any employee who is entitled to unemployment compensation shall have his transitional severance benefit reduced by the amount of such unemployment compensation. Any offset to a terminated employee's transitional severance benefit due to reductions for unemployment compensation shall be paid in one lump sum at the time the last transitional severance benefit payment is made.

d. For twelve months after the employee's date of involuntary separation, the employee shall continue to be covered under the (i) health insurance plan administered by the employer for its employees, if he participated in such plan prior to his date of involuntary separation, and (ii) group life insurance plan administered by the Virginia Retirement System pursuant to Chapter 5 (§ 51.1-500 et seq.) of Title 51.1, or such other group life insurance plan as may be administered by the employer. During such twelve months, the terminating employer shall continue to pay its share of the terminated employee's premiums. Upon expiration of such twelve month period, the terminated employee shall be eligible to purchase continuing health insurance coverage under COBRA.

e. Transitional severance benefit payments shall cease if a terminated employee is reemployed or hired in an individual capacity as an independent contractor or consultant by the employer during the time he is receiving such payments.

f. All transitional severance benefits payable pursuant to this section shall be subject to applicable federal laws and regulations.

4.a. In lieu of the transitional severance benefit provided in subparagraph 3 of this paragraph, any otherwise eligible employee who, on the date of involuntary separation, is also (i) a vested member of the Virginia Retirement System, including a member eligible for the benefits described in subsection B of § 51.1-138, and (ii) at least fifty years of age, may elect to have the employer purchase on his behalf years to be credited to either his age or creditable service or a combination of age and creditable service, except that any years of credit purchased on behalf of a member of the Virginia Retirement System, including a member eligible for the benefits described in subsection B of § 51.1-138, who is eligible for unreduced retirement shall be added to his creditable service and not his age. The cost of each year of age or creditable service purchased by the employer shall be equal to fifteen percent of the employee's present annual compensation. The number of years of age or creditable service to be purchased by the employer shall be equal to the quotient obtained by dividing (i) the cash value of the benefits to which the employee would be entitled under subparagraphs 3.a. and 3.d. of this paragraph by (ii) the cost of each year of age or creditable service. Partial years shall be rounded up to the next highest year. Deferred retirement under the provisions of subsection C of §§ 51.1-153 and 51.1-205, and disability retirement under the provisions of § 51.1-156 et seq., shall not be available under this paragraph.

b. In lieu of the (i) transitional severance benefit provided in subparagraph 3 of this paragraph and (ii) the retirement program provided in this subsection, any employee who is otherwise eligible may take immediate retirement pursuant to §§ 51.1-155.1 or 51.1-155.2.

c. The retirement allowance for any employee electing to retire under this paragraph who, by adding years to his age, is between ages fifty-five and sixty-five, shall be reduced on the actuarial basis provided in subdivision A. 2. of § 51.1-155.

d. The retirement program provided in this subparagraph shall be otherwise governed by policies and procedures developed by the Virginia Retirement System.

e. Costs associated with the provisions of this subparagraph shall be factored into the employer contribution rates paid to the Virginia Retirement System beginning with the June 30, 2011 actuarial evaluation.

O.1. Notwithstanding any other provisions of law, the State Comptroller shall delay the transfer of all employer

paid retirement contributions under all defined benefit plans administer by VRS for the final five paydays of fiscal years 2011 and 2012 to fiscal years 2012 and 2013 respectively. The applicable transfers shall occur no later than July 10, 2011 and July 10, 2012 respectively.

2. The Director, Department of Planning and Budget shall withhold and transfer to this Item, amounts estimated at $33,891,529 the first year from the general fund appropriations of state agencies and institutions of higher education, representing savings from the delay in payments provided for in this paragraph.

P.1. Agencies shall not provide annual performance related salary increases except as authorized in this Item. This provision shall apply to agencies supported by general fund dollars as well as those supported in whole or in part by nongeneral fund sources. This requirement shall apply to all Executive, Legislative, Judicial, and Independent agencies.

2. All state agencies may provide, from funds appropriated to it:

a. salary increases and/or bonuses consistent with pay practices authorized in the classified compensation plan to recognize changes in duties or professional development, establish equitable salary relationships, or respond to labor market conditions;

b. recognition bonuses for contributions to the objectives of the agency.