

*Report of the
House Appropriations
Subcommittee*

on

Compensation & Retirement



House Bill 1500

February 3, 2013

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 continual support and guidance as he has led this Committee in this time of change and uncertainty.

Consistent with your philosophy the subcommittee has approached our responsibilities this session with the objective of ensuring that the salary and benefit programs are fair to our employees while also being financially and structurally sound.

This Subcommittee has spent a great deal of time in recent years contemplating policy reforms and funding levels for our public employee retirement system. I would like to view the fact that this year there are no funding changes or policy changes proposed for our retirement system as a sign of a job well done.

This year the subcommittee is pleased to recommend \$57 million from the General Fund for the State Employee Health Insurance Program in FY 2014. This funding will allow us to eliminate the policy using balances in the Fund to subsidize the cost of the program and fund the first year of a five year plan to replenish the balances in the Fund to an appropriate level.

Once the subcommittee completed its review of the health insurance program we were able to devote our energies to developing a salary compression package to reward our long-tenured employees.

As you all will remember, when we adopted last year's budget we were able to include a 2% salary increase for our employees starting this upcoming summer. This will be the first salary increase our employees have received in 6 years. With that in mind the subcommittee, with the guidance and support of Chairman Putney, was committed to improving on the 2% salary increase already included in the budget.

As we reviewed the current status of state employee compensation the one issue that was identified as a significant issue is state employee salary compression. Salary compression occurs when, to attract employees, salaries for new employees are set at a higher rate than for more senior employees holding the same job. This issue has become increasingly acute as our incumbent employees have gone without a raise since 2007.

In order to address this issue for our state employees, we are pleased to recommend \$17.3 million to provide a salary adjustment of \$50 per year of service for state employees with 5 or more years of continuous state service in addition to the 2% across the board salary adjustment already planned.

We also were committed to increasing the salary for our college faculty and state supported local employees. The subcommittee is recommending an additional \$13.1 million GF in funding for these employee groups that would allow for a total average salary adjustment of 3% beginning this summer.

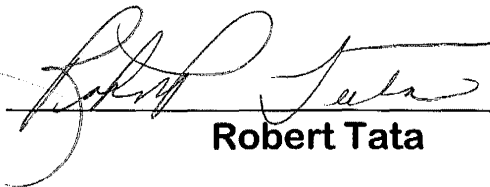
Finally, Mr. Chairman, I would like to take this opportunity to thank the members of this Subcommittee for their hard work this Session.

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.

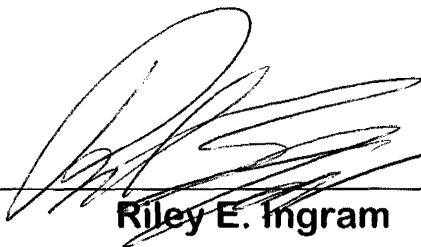
Respectfully Submitted by the House Appropriations Subcommittee
on Compensation & Retirement:



S. Chris Jones, Chairman



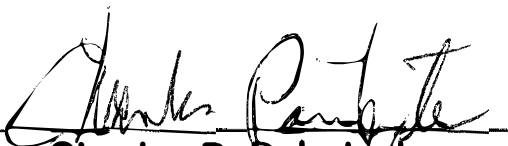
Robert Tata




Riley E. Ingram



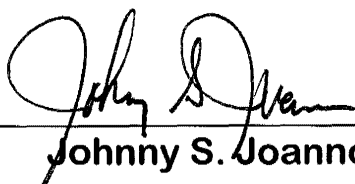
Joe T. May



Charles D. Poindexter



Thomas A. Greason



Johnny S. Joannou



Onzlee Ware

| HB 1500 Amendment | 2012-14 Biennium | | |
|------------------------------|-------------------------|----------------------------|------------|
| | General Fund | Nongeneral Fund | FTE |

Compensation and Retirement

Auditor of Public Accounts

Adjust Salary for New Auditor of Public Accounts Language

State Compensation Board

Fund 2nd Year of Career Development Program 1,019,934

Department of Human Resource Management

Actuarial Review Pursuant to HB 1356 100,000

Amend Language to Implement Medication Therapy Management Program Language

Department of Account Transfer Payments

Amend Language Related to Locality Trusts and LODA Language

Central Appropriations

UVA Health Plan: Funding For Premium Increase 454,560

Adjust Funding and Language for Employee Health Ins. (7,058,539)

Funding for State Employee Salary Compression Adjustment 17,308,986

State Supported Locals: Additional 1% Salary Increase 6,821,454

College Faculty: Additional 1% Salary Increase 6,353,583

VRS Contribution Rate Surcharge - Modify Language Language

Adjust Funding in Introduced Budget for WTA Cost (1,000,000)

Part 4: Positions and Employment

Corrects the Salary of the Director of the New College Institute Language

Total Compensation and Retirement 23,999,978

Amendments to House Bill 1500, as Introduced

Compensation - Retirement Subcommittee

Item 2 #1h

Legislative Department

Auditor Of Public Accounts

Language

Language:

Page 9, line 27, strike "June 24, 2013 and \$167,902 from June 25, 2013 to" and insert;

"December 31, 2012 and \$168,279 from January 1, 2013 to".

Explanation:

(This amendment adjusts language related to the salary for the Auditor of Public Accounts to reflect the new Auditor who was hired effective January 1, 2013.)

Compensation - Retirement Subcommittee

Item 75 #1h

Administration

FY 12-13

FY 13-14

Compensation Board

\$0

\$1,019,934 GF

Language:

Page 58, line 17, strike "\$2,217,693" and insert "\$3,237,627".

Page 61, line 21, after "the first year" insert:

"and \$703,866 the second year".

Page 61, line 24, after "the first year" insert:

"and \$78,191 the second year".

Page 61, line 27, after "the first year" insert:

"and \$165,673 the second year".

Page 61, line 30, after "the first year" insert:

"and \$72,204 the second year".

Explanation:

(This amendment provides \$1.0 million from the general fund in fiscal year 2014 to continue providing the salary supplements to employees in the constitutional offices who were included in the Career Development programs beginning in fiscal year 2013.)

Compensation - Retirement Subcommittee

Item 83 #1h

Administration

FY 12-13

FY 13-14

Amendments to House Bill 1500, as Introduced

Finance

Department Of Accounts Transfer
Payments

Language

Language:

Page 224, line 22, strike "make its contributions to the Line of Duty Act Fund" and insert:
"fund Line of Duty Act benefits".

Explanation:

(This amendment makes a technical correction to clarify that localities may access OPEB trusts to fund Line of Duty Act costs regardless of whether or not they provide these benefits through the state-run program.)

Compensation - Retirement Subcommittee

Item 468 #1h

Central Appropriations

FY 12-13

FY 13-14

Central Appropriations

\$0

\$454,560 GF

Language:

Page 425, line 5, strike "\$219,730,394" and insert "\$220,184,954".

Page 425, line 8, strike "\$165,062,571" and insert "\$165,517,131".

Page 426, line 22, after "and" strike "\$526,849" and insert "\$981,409".

Page 426, line 25, after "plan." insert:

"In addition, these funds include the state share for increases to employee premium increases effective January 1, 2013 for university employees."

Explanation:

(This amendment provides funding for employee premium increases for the University of Virginia health care plan, effective January 1, 2013, and for the state share of the increases in employer premiums for state employees participating in the university's health care plan.)

Compensation - Retirement Subcommittee

Item 468 #2h

Central Appropriations

Central Appropriations

Language

Language:

Amendments to House Bill 1500, as Introduced

Page 432, after line 23, insert:

"S. The final sentence of § 51.1-145 (N), Code of Virginia providing that the employer contribution rate established for each employer may include the annual rate of contribution payable by such employer with respect to employees enrolled in optional defined contribution retirement plans, shall not apply to optional defined retirement plans established under § 51.1-126 for employees engaged in teaching, administrative or research duties at institutions of higher education, § 51.1-126.1 for employees of teaching hospitals other than VCU and UVA Medical Centers, and § 51.1-126.3 for University of Virginia Medical Center employees."

Explanation:

(This amendment clarifies that the employer paid surcharge charged for employees who transition from the traditional VRS system to a DC plan does not apply to employee groups that have traditionally had the option of participating in the Higher Education Optional Retirement plan.)

Compensation - Retirement Subcommittee

Item 468 #3h

Central Appropriations

FY 12-13

FY 13-14

Central Appropriations

\$0

(\$7,058,539) GF

Language:

Page 425, line 5, strike "\$219,730,394" and insert "\$212,671,855".

Page 426, line 18, strike "\$125,785,395" and insert "\$113,886,416".

Page 426, line 38, unstrike "is prohibited from establishing a retail".

Page 426, unstrike line 39.

Page 426, line 40, unstrike "maintenance network. As an alternative, the Department".

Explanation:

(This amendment adjusts funding for the fiscal year 2014 premium increase for the state employee health insurance program. The introduced budget was based on rates projected prior to finalizing the new contracts for the health insurance program and assumed savings from the establishment of a new retail maintenance network for maintenance drugs. This amendment reflects funding to reflect premiums calculated after the new contracts have been finalized and restores language included in Chapter 3 which prohibits the establishment of the retail maintenance network for maintenance drugs. In addition, the amendment captures \$300,000 in savings in the second year in projected unobligated balances that were included in Chapter 3 to reflect the 2013 premium rate increase.)

Amendments to House Bill 1500, as Introduced

Compensation - Retirement Subcommittee

Item 469 #1h

Central Appropriations

FY 12-13

FY 13-14

Central Appropriations

\$0

(\$1,000,000) GF

Language:

Page 432, line 26, strike "\$6,262,287" and insert "\$5,262,287".

Explanation:

(This amendment adjusts funding that was included in the introduced budget pursuant to Workforce Transition Act expenditures as a result of gubernatorial transition to reflect projected expenditures during fiscal year 2014.)

Compensation - Retirement Subcommittee

Item 4-6.01 #1h

Positions and Employment

Employee Compensation

Language

Language:

Page 529, line 45, unstrike "\$123,524", "\$123,524", and "\$123,524".

Page 529, line 46, delete "\$170,352", "\$170,352" and "\$170,352".

Explanation:

(This amendment corrects the state support for the salary of the director of the New College Institute. The appropriation act allows for the board of visitors to provide a supplement, which is provided by nongeneral funds. The nongeneral fund portion of the director's salary was inadvertently included in the state portion of the director's salary in the introduced budget.)
