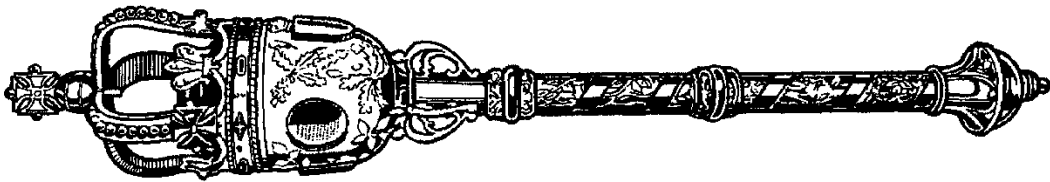


*Report of the
House Appropriations
Subcommittee*

on

Compensation & Retirement



House Bill 1400

February 8, 2015

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. Mr. Chairman, as the former chairman of this Subcommittee you understand as well as anyone the challenges this Subcommittee faces, which have only become harder in recent years as our slow revenue growth in combination with our other budget obligations have made it exceedingly difficult to fund salary adjustments to compensate our hardworking and deserving employees.

As a result of this, our employee compensation, which was below market average prior to the great recession is now significantly below where we, as one of this country's best run states, needs it to be. During this Session, the Subcommittee spent a significant amount of time listening to and working with representatives from our employee groups, specifically the Virginia Governmental Employees Association and the Virginia State Police Association, and this process confirmed our belief that we must begin taking steps this session to address and improve our employee compensation plan.

To that end, and with the Chairman's significant support and guidance, I am pleased to announce the Subcommittee recommendations provides \$87.8 million for a comprehensive salary proposal that includes:

An across the board salary increase of 1.5% for our state employees

A proposal to address salary compression, building on the adjustment championed by this Committee two years ago, for our long tenured employees, which provides \$80

per year of service for employees with 5 or more years of service; except for sworn officers of the state police who receive an adjustment of \$95 per year of service for each officer who has 3 or more years experience

Provides a 2% salary adjustment for all state supported local employees

Provides an additional \$1,000 salary increase for entry level correctional officers in our Department of Corrections facilities, and

Provides an additional 4.63% salary increase for entry level deputy sheriffs

While I am very proud of our proposals regarding employee salaries, I am equally happy with regards to the Subcommittee's work regarding our employee benefit programs during this session. No one in this General Assembly has been more dedicated or involved in ensuring the financial viability of our employee benefit programs than you Mr. Chairman, and with your support the Subcommittee is pleased to recommend \$41.8 million in the second year to increase the contribution rates for the state employee retirement systems to 90% of rates certified by the VRS Board of Trustees to expedite the phase-in of the Board certified rates agreed to during the 2012 General Assembly Session. We feel that this amendment sends a message to our employees and our citizens that we take seriously the commitments we made in 2010 and 2012 to reform and strengthen our retirement system.

While I must point out that the subcommittee recommendations include the bulk of these spending actions in a revenue reserve which makes them contingent on there being no downward revision to our revenue forecasts, it is the fervent hope of the subcommittee that we will have the available resources to implement these actions this coming summer.

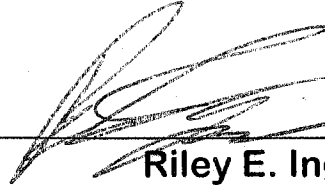
Lastly, I would like to report that the Committee is striking language in the introduced budget which would transfer \$1.4 million in interest earnings each year from the cash balances in the state employee health insurance fund and the local choice program from the programs to the general fund. A portion of the balances in these funds were paid by the employees themselves and the remainder was paid on their behalf and we, as a Subcommittee, feel it is important to retain these interest earnings in these funds for the benefit of our employees.

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

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



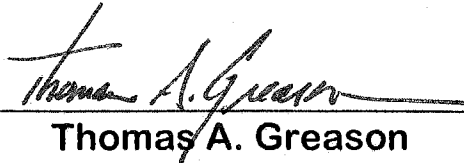
Charles D. Pointdexter, Chairman



Riley E. Ingram



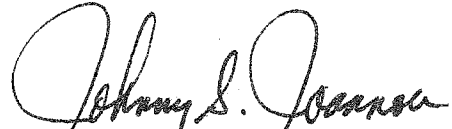
L. Scott Lingamfelter



Thomas A. Greason

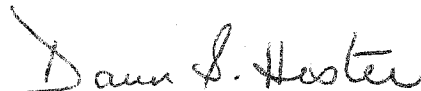


T. Scott Garrett



Johnny S. Joannou

Except: I object to
raising the judges' ages
from 70 years old to 73.
oppose H.B. 1984



Daun Sessoms Hester

HB 1400 Amendment	2014-16 Biennium		
	General Fund	Nongeneral Fund	FTE

Compensation and Retirement

State Compensation Board

Adjust Funding for Entry Level Deputy Sheriff Pay Actions (851,690)

Department of Corrections

Salary Adj. Entry Level Correction Officers 7,286,903

Department of State Police

State Police - Funding for Compensation Adjustments 500,000

Central Appropriations

Revenue Reserve - Salary Adjustments and VRS Rates 121,052,461

HB 2277 - Min. Life Ins. Benefit for Retirees 171,000

HB 1984 - Increase Mandatory Judicial Retirement (1,393,301)

HB 1940 - Expanded Services for Children with Autism 250,000

State Employee Health - Out of Pocket Maximums Language

Virginia Retirement System

HB 1890 - VRS Streamline Purchase of Service 552,500

HB 2178 - 403 (B) Plans 440,000

Part 3: Interest Earnings

Emp. Health Ins. Funds - Restore Interest Earnings Language

Total Compensation and Retirement 127,015,373 992,500

Compensation - Retirement Subcommittee

Item 467 #1h

Central Appropriations	FY 14-15	FY 15-16	
Central Appropriations	\$0	\$171,000	GF

Language:

Page 427, line 40, strike "\$111,816,543" and insert "\$111,987,543".

Page 431, after line 24, insert:

"7. In addition to the funding included in subparagraph 3. above, included in the general fund appropriation for this item is included \$171,000 the second year for direct payments to the group life insurance program to reflect the impact from the enactment of House Bill 2277 of the 2015 General Assembly Session which established a minimum benefit for retirees who had more than 30 years of creditable service at the time of their retirement."

Explanation:

(This amendment provides \$171,000 from the general fund in fiscal year 2016 to reflect the impact of the passage of House Bill 2277 of the 2015 General Assembly session which sets a minimum life insurance benefit for retirees who have more than 30 years of VRS service.)

Compensation - Retirement Subcommittee

Item 467 #3h

Central Appropriations	FY 14-15	FY 15-16	
Central Appropriations	\$0	(\$1,393,301)	GF

Language:

Page 427, line 40, strike "\$111,816,543" and insert "\$110,423,242".

Page 429, line 41, after "percent" insert:

"the first year and 49.35 percent the second year".

Page 429, line 47, strike "\$71,597,876" and insert "\$70,204,575".

Explanation:

(This amendment adjust the retirement contribution rate and funding for the Judicial retirement system in fiscal year 2016 pursuant to the passage of House Bill 1984 of the 2015 General Assembly session which increases the mandatory retirement age for judges from 70 to 73 years of age.)

Compensation - Retirement Subcommittee

Item 467 #4h

Central Appropriations	FY 14-15	FY 15-16	
Central Appropriations	\$0	\$250,000	GF

Language:

Page 427, line 40, strike "\$111,816,543" and insert "\$112,066,543".
Page 429, line 9, strike "\$36,289,221" and insert "\$36,539,221".

Explanation:

(This amendment provides \$250,000 from the general fund in fiscal year 2016 for the state employee health insurance program pursuant to the passage of House Bill 1940 of the 2015 General Assembly session which requires health insurers to provide coverage for the diagnosis and treatment of autism spectrum disorder in individuals from ages two years through ten years. Current law requires coverage from age two through age six.)

Compensation - Retirement Subcommittee

Item 484 #1h

Independent Agencies	FY 14-15	FY 15-16	
Virginia Retirement System	\$0	\$552,500	NGF

Language:

Page 463, line 31, strike "\$28,759,424" and insert "\$29,311,924".

Explanation:

(This amendment provides \$552,500 NGF in administrative funding for the VRS to implement the provisions of House Bill 1890 of the 2015 General Assembly session which streamlines the purchase of prior year service. Long run savings from the streamlining is expected to be substantially more than the \$552,500 up front cost.)

Compensation - Retirement Subcommittee

Item 484 #2h

Independent Agencies	FY 14-15	FY 15-16	
Virginia Retirement System	\$0	\$440,000	NGF

Language:

Page 463, line 31, strike "\$28,759,424" and insert "\$29,199,424".

Explanation:

(This amendment provides \$440,000 NGF in administrative funding for the VRS to implement the provisions of House Bill 2178 of the 2015 General Assembly session which gives school boards the option of allowing their teachers the choice of participating in the 403(B) private retirement fund as an alternative to the optional DC contribution for the hybrid retirement plan.)

Compensation - Retirement Subcommittee

Item 3-3.03 #1h

General Fund Deposits

Interest Earnings

Language

Language:

Page 508, line 27, after "is" strike "\$11,389,754 the first year and \$11,389,754" and insert:

"\$9,967,081 the first year and \$9,967,081".

Page 509, strike lines 3 through 6.

Explanation:

(This amendment deletes language which results in the general fund retaining the interest earnings from the state employee and local choice health insurance funds. Without this language the interest earnings are deposited into the health insurance funds to support the programs.)
