

AGENDA DATE: 10/11/2017 TITLE: Annual Update on Employee Compensation and Benefits BODY

SUBJECT/PROPOSAL/REQUEST: Provide annual update on market data and health insurance updates for use in FY 19 budget development, subject to available revenues

ITEM TYPE: Regular Information Item

STAFF CONTACT(S): Walker, Blair, Gerome PRESENTER (S): Lorna Gerome, Dana Robb, Claudine Cloutier

LEGAL REVIEW: Yes

REVIEWED BY: Douglas C. Walker

BACKGROUND: In 2000, the School Board and Board of Supervisors (the "Boards") approved a Total Compensation Strategy with specific targets for employee and teacher salaries of an adopted market and target benefits slightly above market levels. On October 11, 2017, the Boards will engage in a joint work session to receive the results of staff research based on the annual compensation market analysis, ongoing compensation projects, updates on the current state of and future changes to the County's health insurance program, and wellness initiatives. Staff is providing this information for the Boards' consideration as the Boards provide feedback to the County Executive and Superintendent for the upcoming FY 19 budget process.

STRATEGIC PLAN: Goal 7. Operational Capacity: Ensure County government's ability to provide high quality service that achieve community priorities.

DISCUSSION:

Compensation: The County's FY 18 pay increase resulted in meeting the County's market target for teachers, classified and administrative employees. Market analysis indicates:

--Classified In July 2017, classified staff received a 2% salary increase (this was a flat increase, with no differential for performance). The median salary increase for localities in the County's adopted market was also 2%.

--Teachers Staff applied an average of 2% increase to the teacher scale. This allowed the County to reach its target of the 75th percentile.

--Compression In May 2017, staff implemented a compression remedy for Local Government and the School Division, impacting 534 employees.

Benefits: Health Insurance - Offering competitive medical plans is a major consideration each year. To ensure the ongoing sustainability of the plan and the County's continued ability to offer excellent and affordable health insurance options to employees, the County has taken numerous steps in recent years. This year, staff has:

---Completed an analysis of the County's self-funded health plan in comparison to the Commonwealth's Local Choice plan to assess whether the County's current plans meet its strategic objectives;

---Instituted an ongoing dependent eligibility review process for dependents newly enrolled in the medical plan;

- Implemented Anthem as administrator for the County's health, dental and pharmacy plans;
- Implemented a Consumer-Driven High Deductible Medical Plan with Health Savings Account;
- Implemented Health Equity as the County's Health Savings Account Administrator;
- Amended VERIP (Voluntary Early Retirement Incentive Program) policy to cap medical insurance payment at \$712/month in preparation for upcoming changes to the premium contribution structure (to be implemented October 2018).

The purpose of the joint work session of the Board of Supervisors and School Board is for Board members to receive information on the following:

- 1) Market salaries and compression based on staff research and analysis;
- 2) Pay for performance program;
- 3) Compensation initiatives to include a New Teacher Compensation Strategy and a new Public Safety Pay Scale;

--- New Teacher Compensation Strategy: Based on the Compensation Consultant's recommendations, we are exploring realigning our compensation benchmark target from the top quartile of the Joint Board Adopted Market to eight of the top-performing School Divisions in VA (using US DOE data reported on Niche). Depending on the School Board's decisions, Teacher scales from the eight top-performing school divisions can be converted to reflect the cost of labor in Albemarle County. A new strategy would also implement an overall uniform increase to the scale, with additional market adjustments if data supports.

--- New Public Safety Pay Scale: Staff formed a project team to create an equitable and predictable public safety pay scale structure for each department to attract and retain quality talent. The work of this team encompasses creating and designing pay scales that value the contributions of employees, are competitive with the County's market, and are easy to administer and explain. The team has engaged with Titan-Gallagher to assist in the design of the payscales.

- 4) Ongoing work occurring with regard to the health insurance plan and wellness initiatives:

---Creating "guiding principles" agreement around management of the County's medical plan and strategic reserves (in progress)

---Implementing tier-based employer contribution toward medical coverage (vs. current "flat" allocation), effective October 2018. Stakeholder workgroups recommendations regarding identified tier-based medical plan contribution issues include:

VERIP retirees: contributions capped at \$712 monthly for those taking this as a payment (effective July 2017); those on medical plan pay normal full-time employee premium rate;

"County Spouses" (employees married to other employees on our medical plan): Choice Plan (high deductible plan) offered at \$0 cost to couple; Select Plan (traditional medical plan) offered at individual premium rate per couple (e.g., if the premium cost at the individual tier is \$92/month, "county spouse" couples will pay a total of \$92/month for their coverage);

Part Time Employees: Offer Select Plan at normal part time employee calculation rate; offer Choice plan at full-time employee rates for those at .7 FTE and above; for those below .7, an aggregate employer contribution will be used for the normal part time employee calculation rate;

---Developing pilot disease management program;

---Issuing RFP for biometric screenings and health risk assessments.

BUDGET IMPACT: Staff is presenting this information to the Boards to inform the upcoming FY 19 budget process.

RECOMMENDATION: Final recommendations by the County Executive and Superintendent will be based on the availability of adequate funding.

ATTACHMENTS: None.