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# Total Compensation Strategy

March 28, 2012



City of Alexandria

# Intent of the Compensation Philosophy

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To maintain a competitive compensation program in order to attract and retain, engaged and highly competent employees.



# Goal of Total Compensation

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The compensation philosophy is intended to provide a broad framework in order to ensure “that there is fair and equitable treatment of all employees...”

- Understand and guide decisions that affect pay.
- Reflect the importance of public employees to the delivery of services and programs to the community;
- Emphasize that total compensation is a clear measure of that importance; and

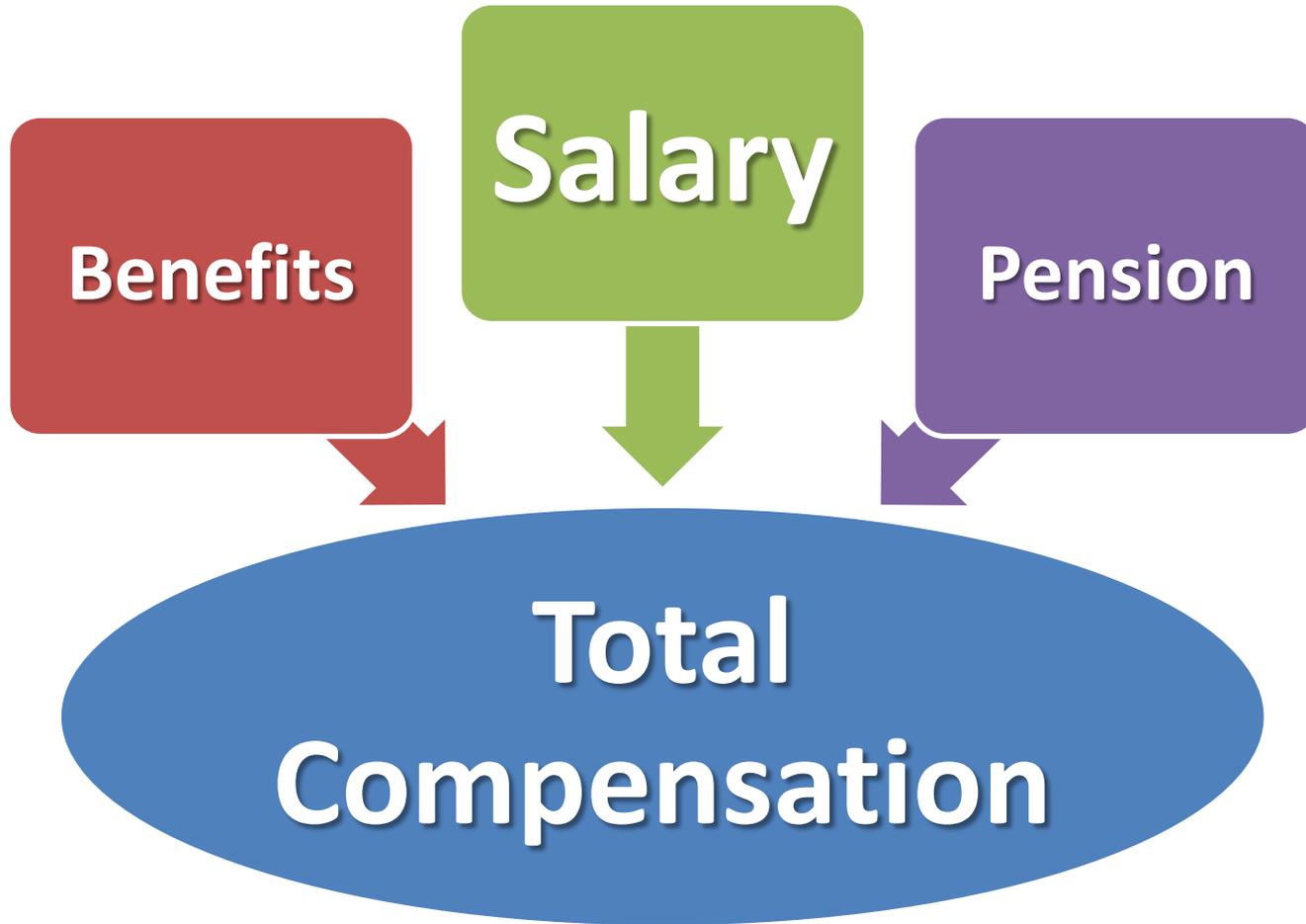
In addition, the statement establishes the commitment and necessity to maintain comparability with jurisdictions that are most likely to affect recruitment and retention of employees.



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# How Do We Accomplish Our Goal?





# Benefits

Provide a Comprehensive,  
Affordable Suite of Benefits for  
Employees

- Health Care
- Dental
- Ceridian (Flexible Spending)
- Group Life Insurance
- Long Term Disability
- Sick Leave Bank
- Leave
- Pre-Tax Transit Subsidies
- Telework
- Tuition Assistance - \$180k
- Wellness Program - \$206k
- Sick Leave Bonus - \$344k



# Employee Health Care Changes FY 2006 – FY 2012

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- Implemented employee cost sharing for health care in FY 2007, starting at a minimum of 3.3% for full-time employees
- Cost sharing ratios for current full-time employees increased gradually from a minimum of 3.3% to 16% over 7 years
- Part-time employees have paid a minimum of 50% over this time period



# Salary

## Maintain Best Practices

- Move GS Pay Scales from steps to more flexible open ranges
- Maintain separate GS and PS scales
- Amend pay practices to compare with market
- Conduct biannual benchmarking process
- Provide incentives for exemplary performance
- Tuition Assistance
- Career Ladders

## Staying Competitive

- Use of salary surveys
- Expand comparators
- Provide opportunities for pay adjustments:
  - Reclassifications
  - Cross-departmental studies
  - “Hot job” recruitment /retention
  - Performance based pay



# Employee Compensation Changes

## FY 2006 – FY 2012

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- Funding for merit-step pay increases included in operating budget every year except FY 2010
- 2.3% (equivalent of one step) added to the top of the pay scale in FY 2006, FY 2011 and FY 2012.
- One-time \$500 bonus and 2.0% longevity step for employees at the top of the pay scale in FY 2009.
- Last cost of living adjustment (COLA) provided in FY 2008 (1.5%)
- Last benchmarking adjustment: FY 2007 for civilian employees (2.0%) and FY 2006 for sworn public safety (5.5%)



# Employee Compensation Changes

## FY 2013 Proposed

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- \$3.0 million for merit-based pay increases for eligible employees
  - Merit increases at variable rates of 5%/3.5%/2.3% depending on employees' placement on the scale
- \$0.3 million for market-based pay scale adjustment for General Schedule pay scale
  - Includes adding 2.3% to the top of the pay scale. Employees at the top of the scale will be eligible for a pay increase
- \$0.1 million for 2.3% one-time pay supplement for Sworn Public Safety employees at the top of the pay scale



# General Employee Compensation and Benefit Contributions Alexandria and Comparators

FY 2013 Proposed	Alexandria	Arlington	Fairfax	Prince William	Montgomery	Federal Govt.
Compensation / Benefit	General Employees	General Employees	General Employees	General Employees	General Employees	General Employees
Average Full-time Salary	\$66,303	\$64,600	TBD	TBD	\$64,637	\$74,403
Salary Increase	3% avg. merit/step	2.5% avg. merit/step	2.18% MRA	3% across the board merit/step	3% avg. one-time lump sum	3.5% Avg. merit/step and general pay adjustment
Average Health Care Contribution – All Plans (% of Premium)	28%	27%	15%	26%	20%	18%
Retirement Contribution (% of Salary)	0%-6%	4%	4%-5.3%	0%-5%	4%-6%	7%-8% (CSRS)  Up to 5% (TSP)

# Public Safety

## Pay Increases and Benefit Contributions

### Alexandria and Comparators

FY 2013 Proposed	Alexandria		Arlington	Fairfax County		Prince William	Montgomery County		
Compensation / Benefit	Deputy Sheriff	Sworn Police & Fire	Sworn Public Safety	Police	Fire, Sheriff & Other Uniformed	Sworn Public Safety	Police	Fire	Sheriff & Corrections
Average Full-time Salary	\$71,285	\$71,285	\$70,984	TBD	TBD	TBD	\$70,782	\$70,782	\$70,782
Salary Increase	3.1% avg. merit/step	3.8% avg. merit/step	2.5% avg. merit/step	2.18% MRA	2.18% MRA	3% across the board merit/step	3% avg. one-time lump sum	3% avg. one-time lump sum	3% avg. one-time lump sum
Average Health Care Contribution – All Plans (% of Premium)	28%	28%	27%	15%	15%	26%	20%	20%	20%
Retirement Contribution (% of Salary)	0%-4%	8%	7.5%	10%	7.08%	0%-5%	4.75%-8.5%	5.5%-9.25%	4.75%-8.5%

# Options for Total Compensation Funding

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Quality Dental Coverage for employees 50%-50% split in premium between employee and City: **\$600,000**

Citywide Awards and Recognition Enhancements: **\$100,000**

Adjustments for Public Safety pay compression – Contingent Reserve: **\$400,000**



# Options for Total Compensation Funding (Cont'd)

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## Improved Pay Practices – Contingent Reserve **\$500,000**

- Career Ladders
  - Fully fund the current career ladders (no waiting list)
  - Raise the amount (%) increase for a number of occupational series
  - Increase the number of career ladders available to employees
- Promotions
  - Determine procedures for enhanced promotional increases based on internal and external comparability



# Pension

## Defined Benefit

- Firefighters & Police Officers Pension
- VRS (State Controlled)
- Deputy Sheriff's , Medics & Fire Marshals
- City Supplemental

## Defined Contribution

- ICMA-RC 457
- ICMA-RC Roth



# Current Employee Cost Sharing: Retirement

## Full-Time General Schedule Employees FY 2013 Proposed Budget Employee Contribution

	Employee Hired Before FY 2009	Employee Hired FY 2010	Employee Hired FY 2011
<b>VRS</b>	<u>FY 2013 Contribution:</u> 0%	<u>FY 2013 Contribution:</u> 0%	<u>FY 2013 Contribution:</u> 4% VRS
<b>Supplemental</b>	<u>FY 2013 Contribution:</u> 0%	<u>FY 2013 Contribution:</u> 2% to City Supplemental Plan	<u>FY 2013 Contribution:</u> 2% City Supplemental Plan



# Current Employee Cost Sharing: Retirement

## Part-Time General Schedule Employees FY 2013 Proposed Budget

	Employee Hired Before FY 2010	Employee Hired FY 2011
<b>VRS</b>	<u>N/A</u>	<u>N/A</u>
<b>Supp.</b>	<u>FY 2013 Contribution:</u> 0%	<u>FY 2013 Contribution:</u> 2% to City Supplemental Plan

## Deputy Sheriff, Medics, Fire Marshalls FY 2013 Proposed Budget

	Employee Hired Before FY 2011	Employee Hired FY 2011
<b>VRS</b>	<u>FY 2013 Contribution:</u> 0%	<u>FY 2013 Contribution:</u> 4% to Virginia Retirement System
<b>Supp.</b>	<u>FY 2013 Contribution:</u> 0%	<u>FY 2013 Contribution:</u> 0%



# VRS Changes

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**Employee Contribution** – who pays?

Salary increase to offset to employee costs

**Type of Plan**

Defined benefit and hybrid plan for new employees

**Retirement Age** – when can someone retire?

**Average final compensation** – how much will they receive?

**Cost of Living Adjustment** – when do adjustments take effect and how much will they be?



# City Costs for VRS contribution shift (Employer to Employee)

## 1% phase in

1% Phase In	FY 2013	5 year cost
City	\$0.4 million	\$5.9 million
Additional Salary Costs (State Supplement and Part time employees)	\$0.2 million	\$1.0 million
Total cost	\$0.6 million	\$6.9 million



# City Costs for VRS contribution shift (Employer to Employee)

## 5% in FY 2013

5% Cost	FY 2013	5 year cost
City	\$1.8 million	\$8.8 million
Additional Salary Costs (State Supplement and Part time employees)	\$1.0 million	\$5.0 million
Total	\$2.8 million	\$13.8 million



# ACPS Costs for VRS contribution shift (Employer to Employee)

1% Phase In	FY 2013	5 year cost
Schools	\$0.55 million	\$2.5 million
5% No Phase In	FY 2013	5 year cost
Schools	\$2.5 million	N/A



# Costs for VRS contribution shift (Employer to Employee)

## Cost for the average employee

Employee	FY 2013 cost per average employee	FY 2013 Estimate for all Employees	5 year cost per average employee
1% (Phase in)	\$46	\$87,000	\$847
5% (No phase in)	\$371	\$694,000	\$1,855



# Recommendations

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Phase in 1% per year over 5 years (\$600,000 in FY 2013)

Provide funding to eliminate employee net pay reductions (\$87,000 in FY 2013)



# VRS Legislation Timeline

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- March 22 – Mayor asked Governor for amendments
- April 9 (approximately) – Governor’s legislative amendments announced
- April 18 – Veto Session: General Assembly votes on proposed amendments
- July 1 – New legislation takes effect



# Summary

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- VRS Increase = **\$0.6 or \$3.5 million** depending on phase-in vs. full 5%
- Additional **\$87,000 or \$694,000** to offset net pay reductions
- Total Compensation options = **\$1.6 million**
  - Dental premium cost sharing \$600,000
  - Awards and recognition \$100,000
  - Public safety pay compression adjustments \$400,000
  - Career ladders and enhance promotional increases \$500,000
- Total = **\$2.3 to \$5.8 million**

