

EMPLOYEE COMPENSATION BUDGET WORK SESSION

APRIL 4, 2013

TOPICS FOR DISCUSSION

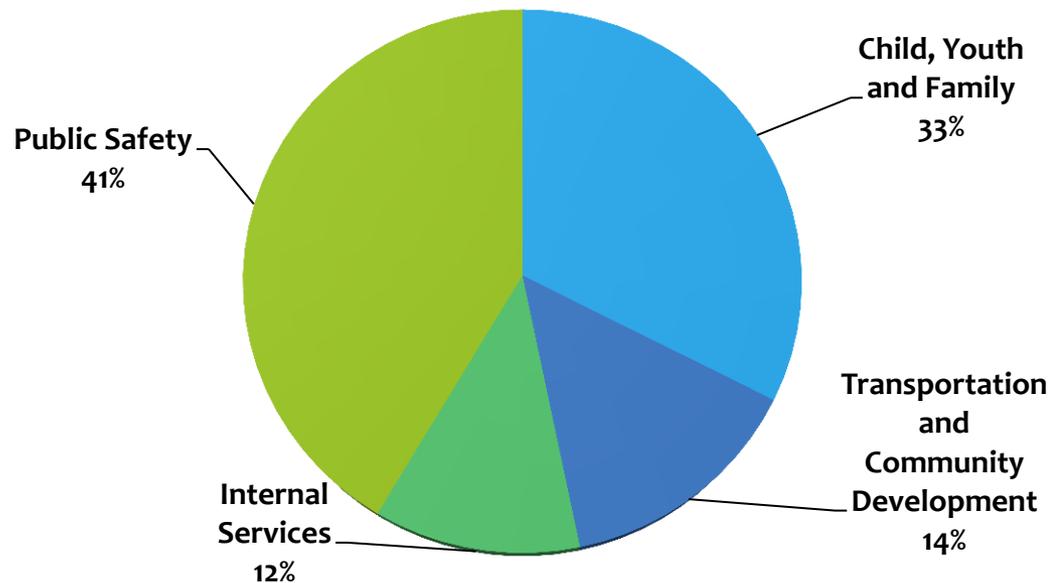
- * COMPENSATION APPROACH
- * DEMOGRAPHICS OF WORKFORCE
- * PERFORMANCE MANAGEMENT
- * FY 2014 CHANGES
- * BENEFITS

TOTAL COMPENSATION APPROACH

- * Promote the compensation philosophy with the strategic plan
 - * Continue to recognize the value of all employees by ensuring pay systems are equitable and compensation is competitive when compared to the regional labor market
 - * Create a balanced and sustainable benefits plan
 - * Begin shift to a pay for performance approach

DEMOGRAPHICS OF THE WORKFORCE

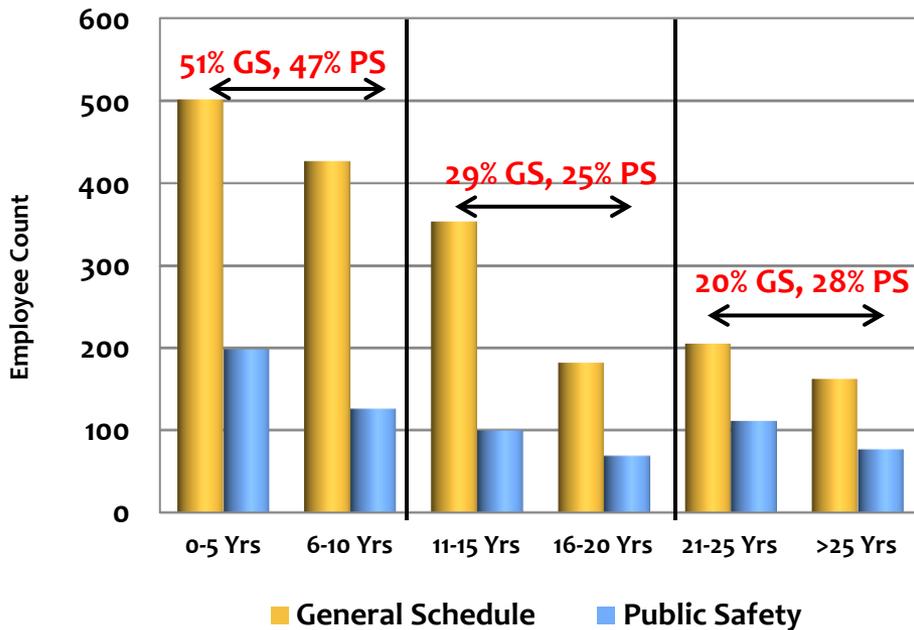
FTEs by Lines of Business



- * Roughly 71% of the workforce consists of General Schedule employees, and 29% are Uniform Personnel
- * 87% of all City employees work full-time

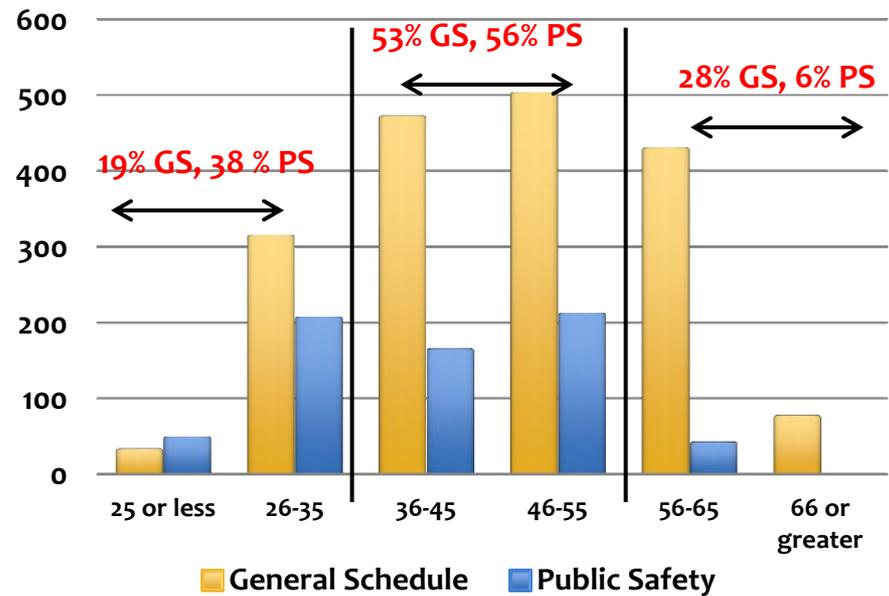
DEMOGRAPHICS OF THE WORKFORCE

Employee Years of Service



Represents all Regular Active Full and Part-time Employees as of January 2013

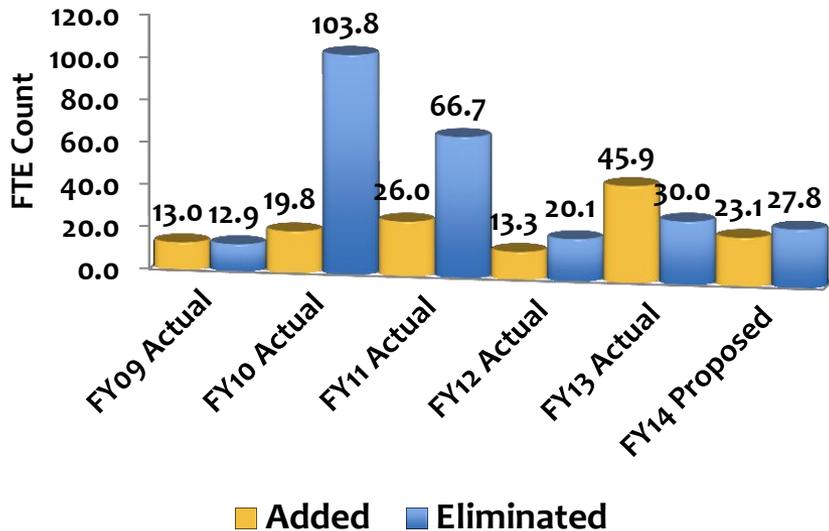
City-Wide Age Distribution



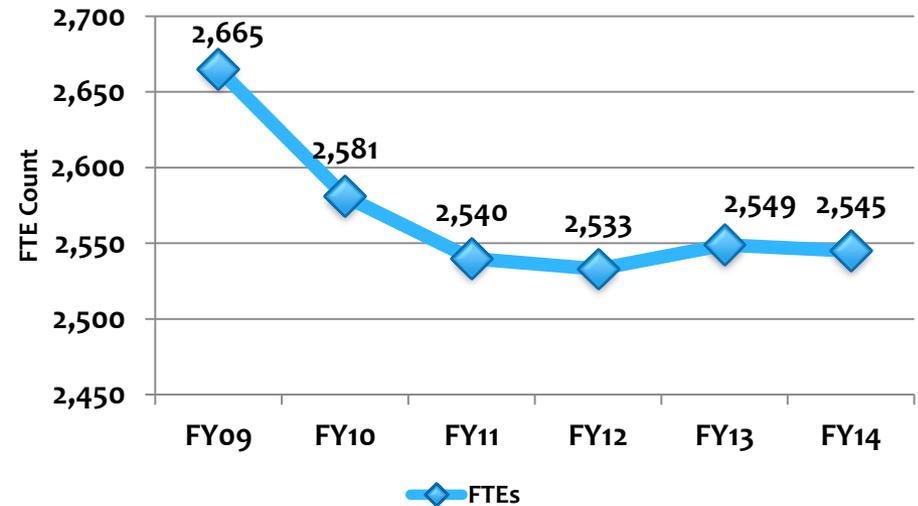
Represents all Regular Active Full and Part-time Employees as of January 2013

DEMOGRAPHICS OF THE WORKFORCE

Historical FTE Changes



Citywide FTEs

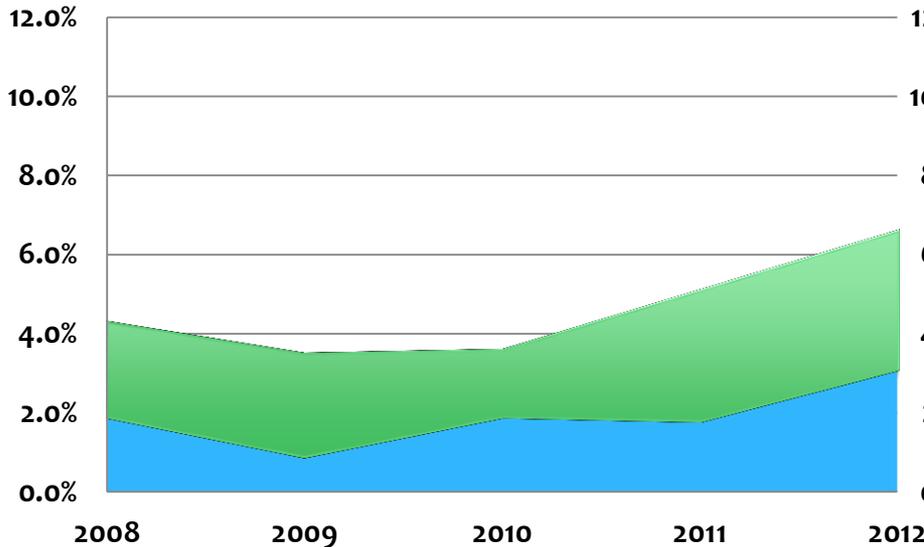


- * Since 2009 the City has added 141.1 FTEs and eliminated 261.3 FTEs
- * The majority of the reductions over the past five years occurred during FY 2010 and FY 2011 in response to lower City revenue growth than previous years

CITYWIDE TURNOVER

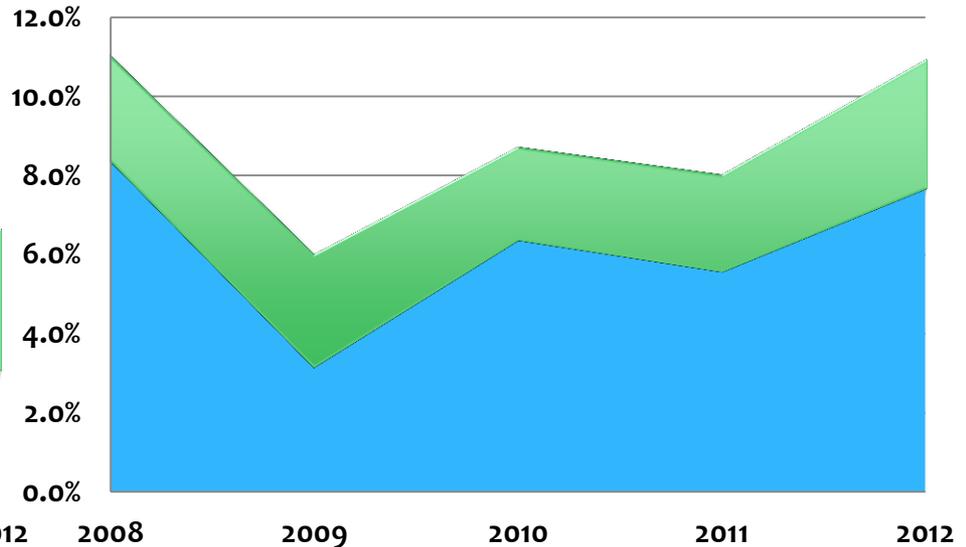
Public Safety Multi-Year Turnover Summary

■ Turnover ■ Retirement



General Schedule Multi-Year Turnover Summary

■ Turnover ■ Retirement



ALEXANDRIA IS FINANCIALLY SUSTAINABLE, EFFICIENT, COMMUNITY ORIENTED AND VALUES ITS EMPLOYEES

Objective: Maintain a competitive compensation program that attracts, retains and motivates a workforce that can deliver quality services and programs to the community, reflects the diversity of that community, and provides for the fair and equitable treatment of all those employees.

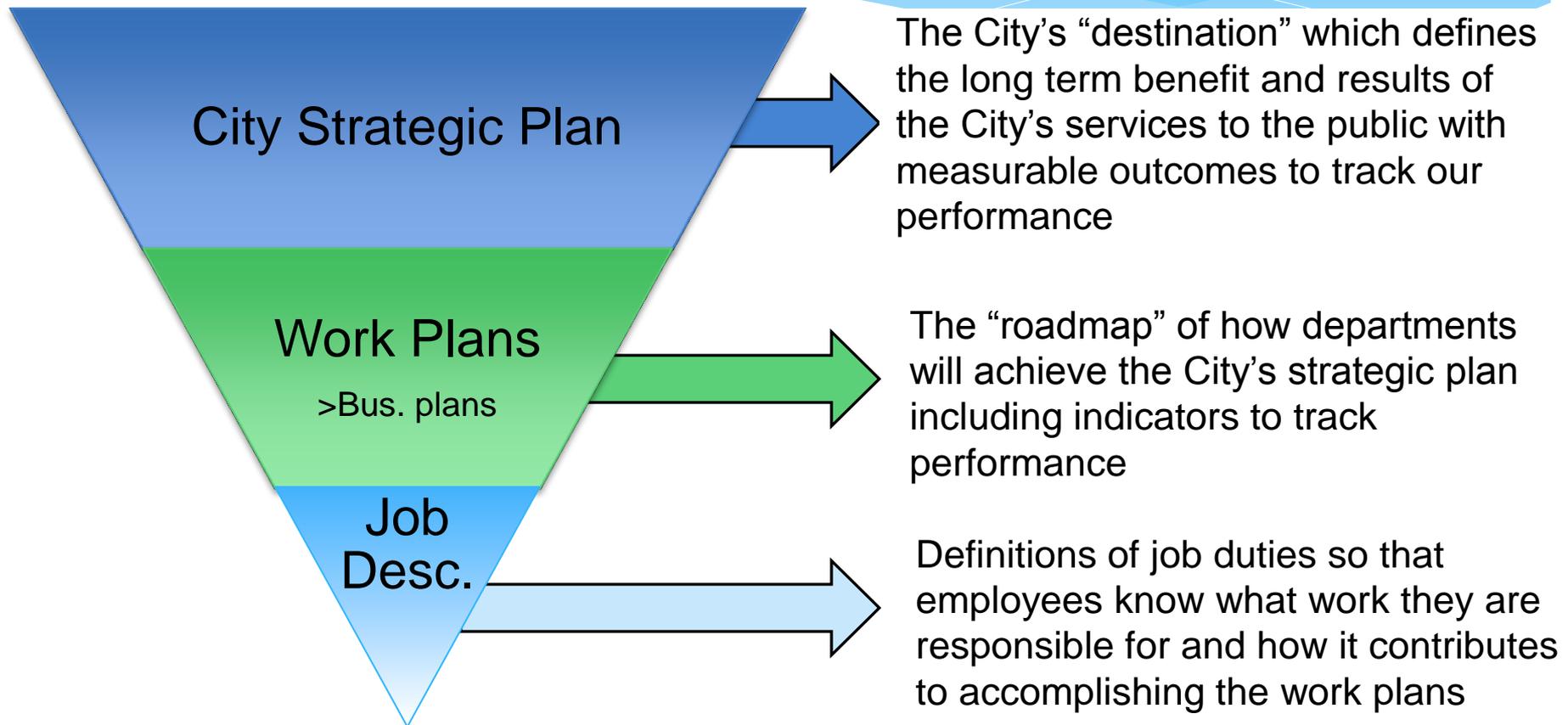
ResultsAlexandria



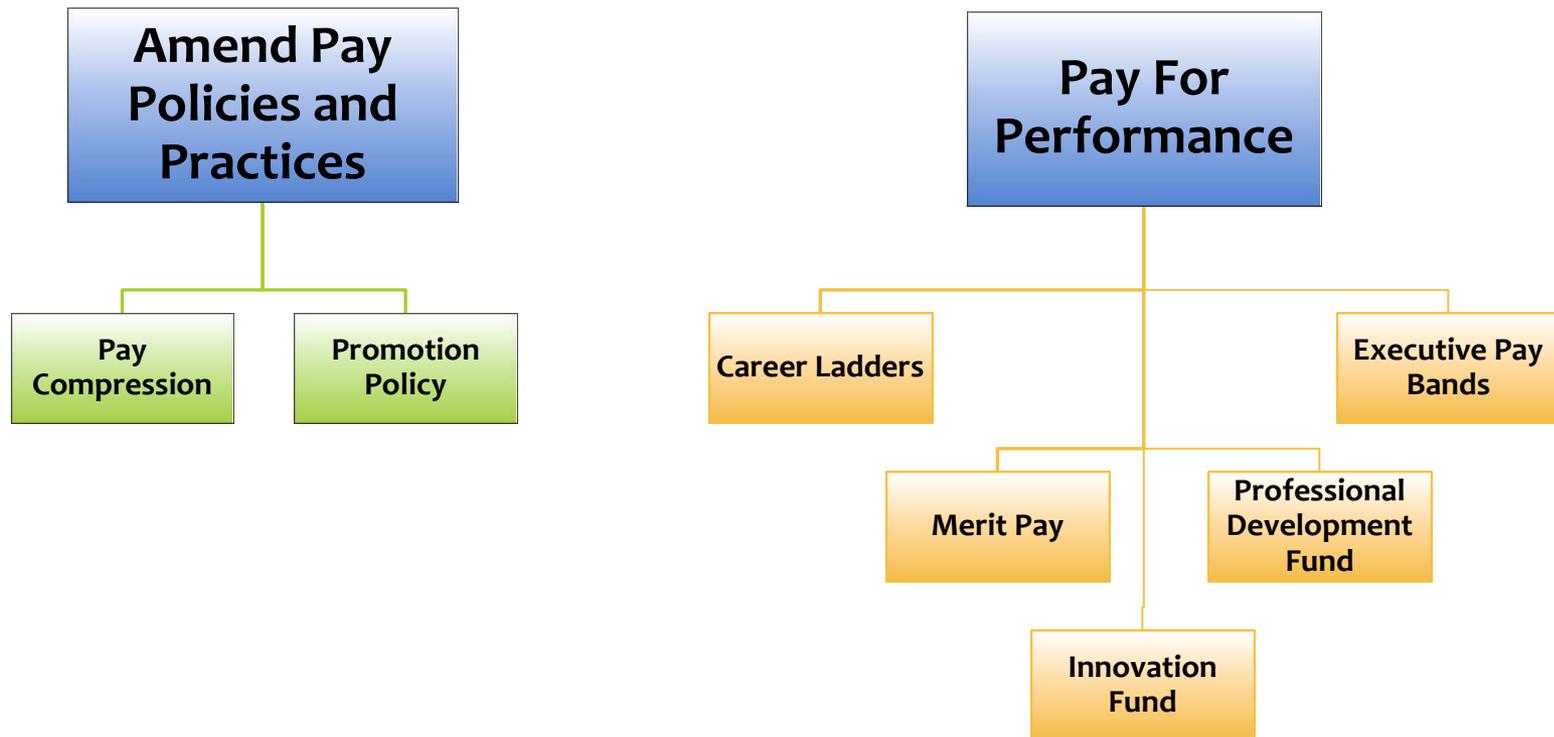
WHAT ARE WE TRYING TO ACHIEVE

- * Align work with the Strategic Plan
 - * Provides employees with greater understanding of how their work contributes to the Strategic Plan
- * Foster accountability
- * Amend pay practices and policies
- * Recognize and reward performance

ALIGN WORK WITH THE STRATEGIC PLAN



RECRUIT, RETAIN, RECOGNIZE



ADDRESSING PAY COMPRESSION

- * Public Safety Work Groups (PSWG) identified compression issues in Police and Sheriff
- * FY 2013 \$400,000 allocated to address public safety pay compression
- * Will impact 50 employees in Police and Sheriff
 - 34 Police Supervisors expected to receive an average salary increase of 7%
 - 16 Sheriff Supervisors expected to receive an average salary increase of 7.5%
- * Elevations anticipated to occur April 2013 with pay retroactively adjusted to March 2, 2013
- * PSWG's identified need to amend current pay policies to ensure compression does not continue in the future

ENHANCING CITY PAY POLICY

Problems with current pay policies and systems:

- * Results in backward movement on pay scale
- * Pay increases are not consistent across the pay scale
- * Creates a disincentive to promote
- * Causes leapfrogging and pay compression

Career Ladder Pay Increase Example (current policy 3% + placement)

Grade/Step	I	J	K	L	M
GS 10			47,523.15	48,616.18	49,734.35
GS 11					
GS 12					
GS 13	51,545.23				
Pay Increase (\$)			4,022.08	2,929.05	1,810.88
Pay Increase (%)			8.46%	6.02%	3.64%

ENHANCING CITY PAY POLICY

Drop-Down Pay Increase Example

Grade/Step	I	J	K	L	M
GS 10			47,523.15	48,616.18	49,734.35
GS 11					
GS 12					
GS 13			54,576.34	55,831.60	57,115.73
Pay Increase (\$)			7,053.19	7,215.42	7,381.38
Pay Increase (%)			14.84%	14.84%	14.84%

- * Increase between grades is approximately 5%
- * Recommending promotional pay cap of 20% plus placement.

- * Mitigate pay compression issues and eliminate the disincentive to promote.
- * Will increase the cumulative earnings of employees who show leadership and move upward in the organization.
- * Will enhance the City’s competitive position.
- * Will be applied city-wide and also allows for the implementation of public safety pay compression solution.

CAREER LADDER PROGRAM

Career ladders provide upward mobility to employees who grow in skill and capability and demonstrate a readiness for increased job responsibilities.



CAREER LADDER EXPANSION

FY 2013 \$500,000 PROVIDED TO ELEVATE EMPLOYEES IN EXISTING CAREER LADDERS

- Currently we have 21 career ladders with 753 employees in the ladders
- Elevated 116 Employees (91 Positions in Public Safety)
- Annualized cost of FY13 incorporated into FY14 budget

FY 2014 \$900,000 PROVIDED TO CONTINUE COMMITMENT TO CAREER LADDER IMPROVEMENTS AND EXPANSIONS

- Expand career ladder program within General Schedule
- Begin phased approach to the implementation of a multi-level career ladders for Fire Fighters, Medics, and Deputy Fire Marshals
 - FY14 increase pay grades to align existing jobs with the market
 - FY15 Fund full development and implementation of additional career ladder levels

EXECUTIVE PAY BANDS

- * Introduction of two new pay bands 1) Deputy City Managers and 2) Department Heads
 - * In FY 2014 employees within new pay bands will be reviewed for merit adjustments based on the current system
- * Places emphasis on performance management and accountability for those charged with leading the City's strategic mission
- * Will serve as a pilot program to determine how pay bands could be expanded to other levels of the organization

FY 2014 PROPOSED SALARY ADJUSTMENTS

- * Full merit between 2.3%-5% for all eligible employees
 - * Average of 3.1% for General Scale and 3.6% for Public Safety
- * Top of grade 2.3% one-time merit payment for all eligible employees on their anniversary date
- * No across the board salary adjustment since FY 2008
 - * There will be a 1% pay scale adjustment for VRS changes through FY 2017 for a total cost of \$5.8 million

BENEFITS

- * HEALTH INSURANCE
- * VIRGINIA RETIREMENT SYSTEM
- * PUBLIC SAFETY PENSION
- * OTHER POST EMPLOYMENT BENEFITS
(OPEB)

HEALTH INSURANCE DESIGN

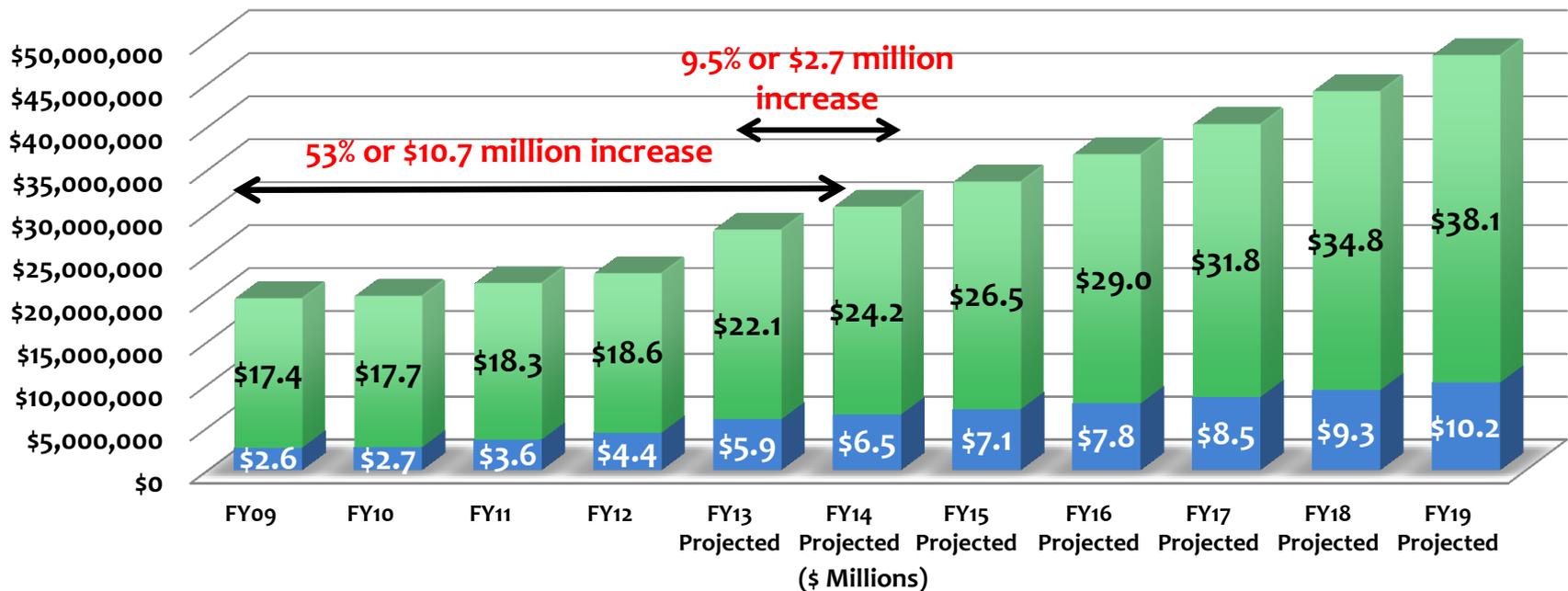
In prior years, the City worked to keep the health insurance plan designs consistent while addressing any increase in costs through annual premium increases

Going forward, in an effort to provide a sustainable health insurance plan and give employees greater flexibility with how to spend their money, the City is now making a philosophical shift to plan redesign coupled with lower premiums

HEALTH INSURANCE WITH NO PLAN REDESIGN

Multi-Year Projected Health Costs

FY 2009 to 2012 - actual spending
FY 2013 - FY 2019 - projected spending



*Does not factor in changes from Affordable Care Act

HEALTH INSURANCE METHOD FOR REDUCING COSTS

- * Plan design and renegotiation with Kaiser and UHC
 - * Included the introduction of deductibles and increased copays for certain services within the plan
- * The proposed budget reflected a 7.9% increase over FY 13; this included a savings of \$1.6 million for the City
 - * This estimated savings provided funding for compensation adjustments (i.e., merit-step increases in FY14)
- * Following the proposed budget, continued negotiations with health care providers is expected to result in additional premium savings of roughly \$950K (\$750K City; \$200K Employee)
 - * The \$750K City share will be used to reduce employee premiums and adjust the HMO City/Employee contribution ratio from an 80/20 split to 83/17

HEALTH INSURANCE IMPACT ON PREMIUMS

(the numbers below are proposed and represent the average City salary)

**Employee Share Only
Avg. Kaiser & United**

9.5% Premium Increase

**Revised Proposed
March Projections
Premium Decrease +Cost**

No Plan Design Change

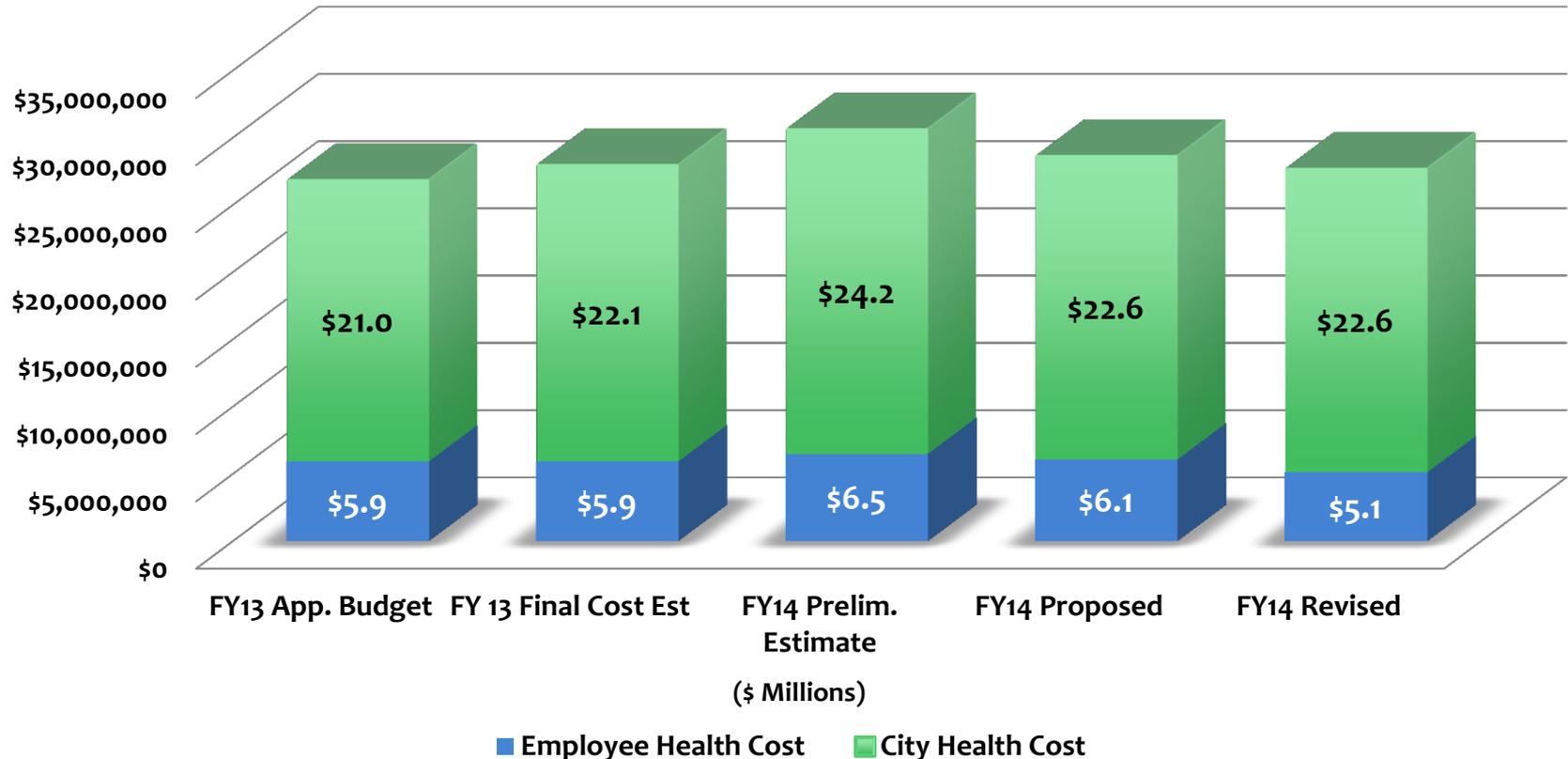
83/17%

Plan Design Change

Plan	Plan Type	Average Annual FY13 Premium	Average Annual \$ Change FY13-14	Proposed Average Annual \$ Change FY13-14
HMO	Individual	\$1,311.85	\$124.63	(\$241.48)
	Employee + One	\$2,623.70	\$249.25	(\$482.97)
	Family	\$3,359.28	\$319.13	(\$618.11)
UHC PPO	Individual	\$2,770.75	\$263.21	(\$256.34)
	Employee + One	\$6,501.02	\$617.62	(\$529.79)
	Family	\$8,356.22	\$793.90	(\$680.81)

HEALTH INSURANCE WITH PLAN REDESIGN

Budgeted Total Health Costs



HEALTH INSURANCE

EXPLAINING EMBEDDED DEDUCTIBLES

- * All out-of-pocket expenses, excluding prescriptions, can accumulate towards the \$400 and \$800 plan year deductible
- * Employees will never pay more than their plans out-of-pocket maximum
- * The family \$800 deductible can be met collectively by all members of the plan
- * No one member of the family will be required to satisfy a deductible greater than \$400

HEALTH INSURANCE INITIATIVES TO MITIGATE IMPACT

For FY 2014

- * Exploring an out-of-pocket assistance program to help mitigate the impact of deductibles for those who need it
 - * One-time Annual Leave/Comp Time cash payout (maximum \$200)
 - * All active employees who are enrolled in a City health care plan and have the available leave balances are eligible
 - * Average General Schedule Salary of \$67,212 equals about 6.25 hours of leave
 - * One-time support will only be available in FY 2014 to assist with plan design transition

Going Forward

- * Pursue changing FSA Schedule to coincide with City's Plan dates (July through June)
- * A Healthcare Steering Committee has been established to continue to evaluate ways the City can reduce premiums while providing employees with quality health care options

VRS

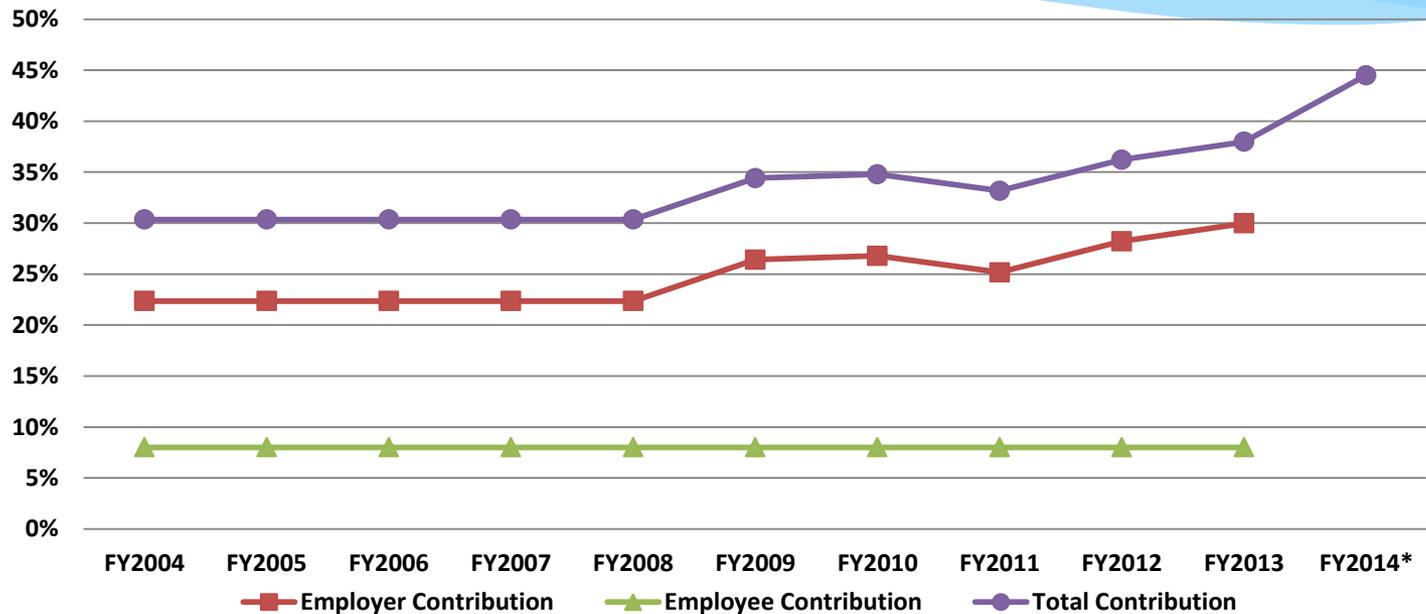
EMPLOYEE IMPACT

The charts below demonstrate the impact of the mandate by the General Assembly requiring all Plan 2 members to contribute 5% towards their retirement and that all Plan 1 members start to contribute 1% towards their retirement each year for five years starting in FY 2013 until they are also contributing at least 5% towards their retirement

PLAN 1 (Hired before 7/1/10)	BASE	FY 2013 (1%)	FY 2014 (2%)	FY 2015 (3%)	FY 2016 (4%)	FY 2017 (5%)
Salary	\$67,212	\$67,884	\$68,563	\$69,249	\$69,941	\$70,640
VRS	0	(\$679)	(\$1,371)	(\$2,077)	(\$2,798)	(\$3,532)
Net Pay	\$63,415	\$63,370	\$63,318	\$63,259	\$63,192	\$63,117

PLAN 2 (Hired after 7/1/10)	BASE (4%)	FY 2013 (5%)	FY 2014 (5%)	FY 2015 (5%)	FY 2016 (5%)	FY 2017 (5%)
Salary	\$67,212	\$67,884	\$68,563	\$69,249	\$69,941	\$70,640
VRS	(\$2,688)	(\$3,394)	(\$3,428)	(\$3,462)	(\$3,497)	(\$3,532)
Net Pay	\$64,524	\$64,490	\$65,135	\$65,787	\$66,444	\$67,108

PUBLIC SAFETY PENSION PLAN



*FY2014 Employee/Employer contribution split is tentative.

- * The total cost of the fire police pension and disability plan has risen from \$6 million in 2004 to \$10 million in FY 2013, or 56%

PUBLIC SAFETY PENSION PLAN

- * 2011 City Council appointed an advisory board to review options to address the plan increases
- * The Ad Hoc Retirement Benefit Advisory Group recommended keeping the defined benefit plan, if an adjustment mechanism was put in place
 - * The change could be in contribution, benefit accrual, or both
 - * Subcommittee did not reach consensus on a cost sharing model prior to the proposed budget
- * FY 2014 proposed budget recommends increase in employee contribution from 8% to 10% which is one of the cost sharing models the subcommittee discussed
- * Change is meant to contain the costs of the pension plan now, safeguard the plan and ensure its sustainability
- * Employee labor groups working on alternative including changes to plan which will be considered if they are presented

OTHER POST EMPLOYMENT BENEFITS (OPEB)

- * FY 2014 proposed budget continues multi-year funding plan toward future OPEB obligations
- * FY 2014 funding includes \$2.4 million from the General Fund and the remaining \$0.2 million from the \$10.7 million fund balance that was set aside prior to FY 2007
- * Funding now allocated to department budgets in lieu of Non-Department budget
- * FY 2014 is last year to use any fund balance because the 2007 amount set aside has been exhausted
- * FY 2015 100% General Fund
- * No change to retiree health insurance subsidy

GETTING THE MESSAGE OUT

The following initiatives were undertaken to inform and receive feedback from employees on the changes taking place in FY 2014

Employee Outreach Conducted by City Manager

- * Two Employee Telephone Town Halls and Six In-Person Town Halls with Q&A sessions
- * Citywide Open House with Activities on Guiding Principles
- * Departmental Presentations
- * AlexNet (Employee Intranet Site) Forums

Compensation and Benefits Communications

- * Weekly pension meetings for nine months with Police/Firefighters board members
- * HR and the Public Safety Work Groups have been meeting regularly since July 2012 to discuss public safety compensation issues
- * Health Insurance Explanation Supported with Video Message, Comparison Tool, Salary Estimator, and FAQs

Questions?