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10/18/2011

DATE: OCTOBER 17, 2011
TO: MEMBERS OF THE AD HOC PENSION ADVISORY COMMITTEE
FROM: MICHELE R. EVANS, DEPUTY CITY MANAGER
SUBJECT: CITY SUPPLEMENTAL PENSION AND EMPLOYEES OF THE
ALEXANDRIA HEALTH DEPARTMENT

The purpose of this memorandum is to provide the history of the participation by employees of the Alexandria Health Department in the City's Supplemental Pension Plan. Alexandria Health Department employees have been included in the Supplemental Pension Plan almost since the Plan was created in the early 1970's for the reasons described below. This is a somewhat complicated history since a variety of factors and City decisions have affected how the City funds the Health Department and the salaries and benefits of its employees. The department has employees who are 100% state-funded, others who are 100% City-funded and grant-funded employees often working together in the same program.

The State employees in our Health Department consistently have contributed 1% of salary as their share of the Supplemental Plan since they joined the Plan in the 1970's. Health Department State employees hired after July 1, 2009, contribute 2% of salary for the Supplemental Pension Plan as do other City employees hired after that date.

Effective July 1, 2011, Alexandria State Health Department employees also contribute the 5% employee share of VRS, pursuant to State action requiring State employees to make the VRS employee contribution. Unlike other state employees, since the Alexandria employees are on the City's pay scale and mostly follow City pay rules, they did not receive the 5% salary increase granted to other State employees. Instead the State monies allocated for the 5% salary increase were provided to the City to offset the City's contribution for the Alexandria Health Department budget in accord with City-State Procedure for Processing the Local Salary Supplement.

Background

The City has had a unique relationship with the Alexandria Health Department over the last 40 years. Although the Alexandria Health Department is a state agency, unlike most other cities and counties in Virginia, in many respects the City of Alexandria frequently has treated our Health Department as if it were a City department.

In the 1970's the City Council determined that it was in the interest of the City to provide primary health care services to the City's very low income residents. With a combination of federal grant funds and City funds, the City built the Flora Krause Casey Health Center on the grounds of the then newly-built Alexandria Hospital on Seminary Road. Although the services provided have changed over time, the Casey Health Center has been a location at which the Health Department has provide medical care for many low income Alexandrian beyond the care that was mandated to be provided in the vast majority of Virginia jurisdictions.

With respect to funding the Health Department, the City and the State participate in a State/Local Agreement that defines the expenditures and responsibilities of each. The City's FY 2012 Budget includes approximately \$7 million in City funds for the Alexandria Health Department. The state provides about \$4 million in FY 2012 for State-mandated and other State programs provided by the Health Department. Generally in the State, the proportion of funding provided to Health Departments is 55% State and 45% locality. Because we have many "City" programs provided by the Health Department, the City's share of the budget is significantly higher. This is the result of a long history of the Health Department including both City (25% of employees) and State (75% of employees) and having employees working side by side to provide a mix of State and local programs.

Because of the extent of the local programs provided in Alexandria, the provision of primary health care to certain uninsured very low income residents, **and as a result of decisions made in the past not only to supplement the salary and retirement of State employees in the Health Department but also to include them in the City's classification and pay plan, the City makes a significant contribution to the Health Department budget. These salary and pension decisions were also made in an effort to ensure that the Health Department was able to recruit and retain employees in the highly competitive healthcare environment in the Northern Virginia/Metropolitan Washington Area.**

The Health Department is responsible for providing mandated services such as family planning, HIV/Aids services, TB and other communicable diseases, well-baby clinics, and services for pregnant women. It also provides pharmacy services and pediatric care for low income children and low-income adults with chronic diseases. The Teen Wellness Center (formerly the Adolescent Health Center) now located at TC Williams High School is a 100% City-funded program provided by the Health Department. The Partnership for a Healthier Alexandria is another 100% City and grant funded City-wide effort that is managed and run by the Alexandria Health Department.

Until the early 2000's the City's Environmental Quality Program (now a part of the Department of Transportation and Environmental Services) was based in the Health Department. Currently the Department has both City and state employees who are responsible for the Environmental Health Division, which oversees inspections of restaurants and other food establishments, swimming pools, massage and health establishments. The Department also participates in the City's emergency management effort, with employees who are key to our emergency planning.

In summary the City of Alexandria has maintained a close cooperative partnership with the Alexandria Health Department, and the department provides important City and State services. The Health Department staff is a mix of City, State, and grant employees. It is in the interest of the City that Health Department employees have similar benefits to the City employees in their department and to general employees in other City Departments. Changing the City policy established more than 40 years ago of including Health Department employees in the City's Supplemental Retirement Plan would send a very negative message to the 89 State Health Department employees at a time when these employees have already absorbed the 5% employee contribution for VRS.

cc: Bruce Johnson, Acting City Manager