

General Schedule Employees
Presentation to the Ad Hoc
Retirement Advisory Committee

September 8, 2011

Employee Survey Results

1. What is your age?

		Response Percent	Response Count
Below 25		1.1%	6
25-34		13.4%	70
35-44		21.6%	113
45-54		31.0%	162
55 or Older		32.9%	172
		answered question	523
		skipped question	1

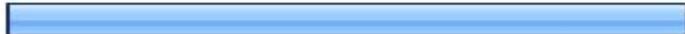
2. What is your employment status with the City?

		Response Percent	Response Count
Regular, full-time		95.6%	499
Regular, part-time		3.4%	18
Temporary		0.6%	3
Other (Please specify below)		0.4%	2
		Other	3
answered question			522
skipped question			2

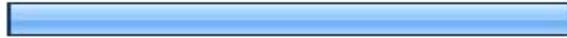
3. How long have you worked for the City?

		Response Percent	Response Count
Less than a year		4.2%	22
1-5 years		22.1%	116
6-10 years		20.8%	109
11-15 years		17.0%	89
16-20 years		11.5%	60
21-25 years		13.7%	72
26-30 yrs		5.2%	27
More than 30 years		5.5%	29
		answered question	524
		skipped question	0

7. Do you plan to retire from the City?

		Response Percent	Response Count
Yes		90.5%	465
No		9.5%	49
answered question			514
skipped question			10

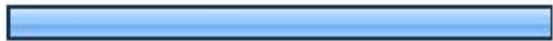
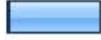
8. Do you plan to retire with an unreduced retirement benefit? (VRS Plan 1: at least age 65 with at least 5 years of service credits or at least age 50 with at least 30 years of service credits.) (VRS Plan 2: at least Social Security Normal Retirement age with at least 5 years of service credit or when age and service credits equal 90.)

		Response Percent	Response Count
Yes		73.6%	368
No		26.4%	132
answered question			500
skipped question			24

10. Give these characteristic, do you believe a defined contribution plan, which offers flexibility, or a defined benefit plan, which generally offers more security, would benefit you the most?

		Response Percent	Response Count
Defined Benefits Retirement Plan		78.8%	394
Defined Contribution Retirement Plan		21.2%	106
		answered question	500
		skipped question	24

12. If you retired at age 50 with 30 years of service and all of your service was after 1987, the VRS benefit and the City's Supplemental benefit would be expected to replace 75% of your final average salary. Other than the VRS and the Supplemental plans, what other resources are you using to save for retirement? (Choose all that apply.)

		Response Percent	Response Count
457 Account (ICMA) Deferred Compensation		71.8%	301
IRA		24.3%	102
Roth IRA		22.7%	95
After-tax savings account		12.9%	54
Real-Estate		29.8%	125
Stock Market		23.9%	100
Annuity (Non-City Plan)		11.7%	49
answered question			419
skipped question			105

13. How familiar are you with the details of your City-provided retirement and savings benefits?

	1 - Not at all familiar	2	3	4	5 - Very familiar	Rating Average	Response Count
Options	11.7% (57)	19.1% (93)	36.0% (175)	21.0% (102)	12.1% (59)	3.03	486
answered question							486
skipped question							38

14. How satisfied are you with the City-provided Virginia Retirement System?

	1 - Not at all satisfied	2	3	4	5 - Very satisfied	Rating Average	Response Count
Options	4.7% (22)	12.1% (57)	34.6% (163)	27.6% (130)	21.0% (99)	3.48	471
answered question							471
skipped question							53

15. How satisfied are you with the City-provided Supplemental?

	1 - Not at all satisfied	2	3	4	5 - Very satisfied	Rating Average	Response Count
Options	6.6% (31)	14.0% (66)	35.7% (168)	26.3% (124)	17.4% (82)	3.34	471
						answered question	471
						skipped question	53

**18. How do the City's retirement and savings benefits factor into your retirement plans?
(Choose one)**

		Response Percent	Response Count
Other than Social Security and Medicare, I expect them to provide all or nearly all of my entire income in retirement.		34.7%	167
I expect them to be a significant part of a variety of sources of retirement funds.		51.1%	246
I expect them to be a minor part of a variety of sources of retirement funds.		12.3%	59
I don't expect them to factor in at all (I will not vest before I leave therefore I plan to withdraw the funds before retirement, etc.).		1.9%	9
		answered question	481
		skipped question	43

Five Myths About General Schedule Employee Pensions

- Myth 1: *“General Schedule Employees pay nothing to their pension plans.”*
- Myth 2: *“General Schedule employees don’t have physically demanding jobs.”*
- Myth 3: *“Increases in the City’s pension costs are solely due to VRS.”*
- Myth 4: *“Post-employment benefits are the same for all employee groups.”*
- Myth 5: *“Public employees retire early with fat pensions.”*

Myth 1: “General Schedule Employees pay nothing to their pension plans.”

- Ongoing levels of under-compensation and benefit reductions mean that **GS have indirectly contributed to their pension plans for years.**
- The combination of reduced pay, inflation and ongoing benefit reductions for GS employees make up these contributions , with the lowest wage employees being impacted most severely.



1992	2012
Legal Secretary I (Grade 10)	Legal Secretary I (Grade 10)
Starting Salary \$22,103	Starting Salary \$31,860
	Starting Salary Adjusted for Inflation \$35,560 (SOURCE: Bureau of Labor Statistics)
	MINUS Deduction for Health Insurance - \$1,230 yearly
	MINUS Deduction for Pension - \$1,912 yearly
	Effective 2012 Salary \$28,718
	GAP Between Inflation Adjusted and Effective Salary (-23.82%)

1992	2012
Division Chief, Planning (Grade 25)	Division Chief , Planning and Zoning (Grade 25)
Starting Salary \$45,471	Starting Salary \$65,715
	Starting Salary Adjusted for Inflation \$73,156 (SOURCE: Bureau of Labor Statistics)
	MINUS Deduction for Health Insurance - \$1,230 yearly
	MINUS Deduction for Pension - \$3,943 yearly
	Effective 2012 Salary \$60,542
	GAP Between Inflation Adjusted and Effective Salary (-20.8%)

City Employee Benefits

– A History

During the past decade, employee benefits have gradually been reduced or eliminated. These reductions (health care, pensions, and life insurance) have the effect of further reducing the employee's total compensation.

Health Care Costs

- The monthly health care reimbursement benefit for retirees has not increased since July 1, 2006. Since that time premiums for the City's most affordable health care option have increased by 46.7% for individual coverage and 86.2% for family coverage.
- In July 2007, the City instituted a tenure-based system for retiree health coverage for new hires. The retiree must have at least 25 years of service to receive the full \$260 benefit.
- Also in July 2007, health care cost sharing began to be phased in for all employees.

Life Insurance

Post-employment life insurance coverage for new hires was eliminated effective July 2009.

Pension Benefits

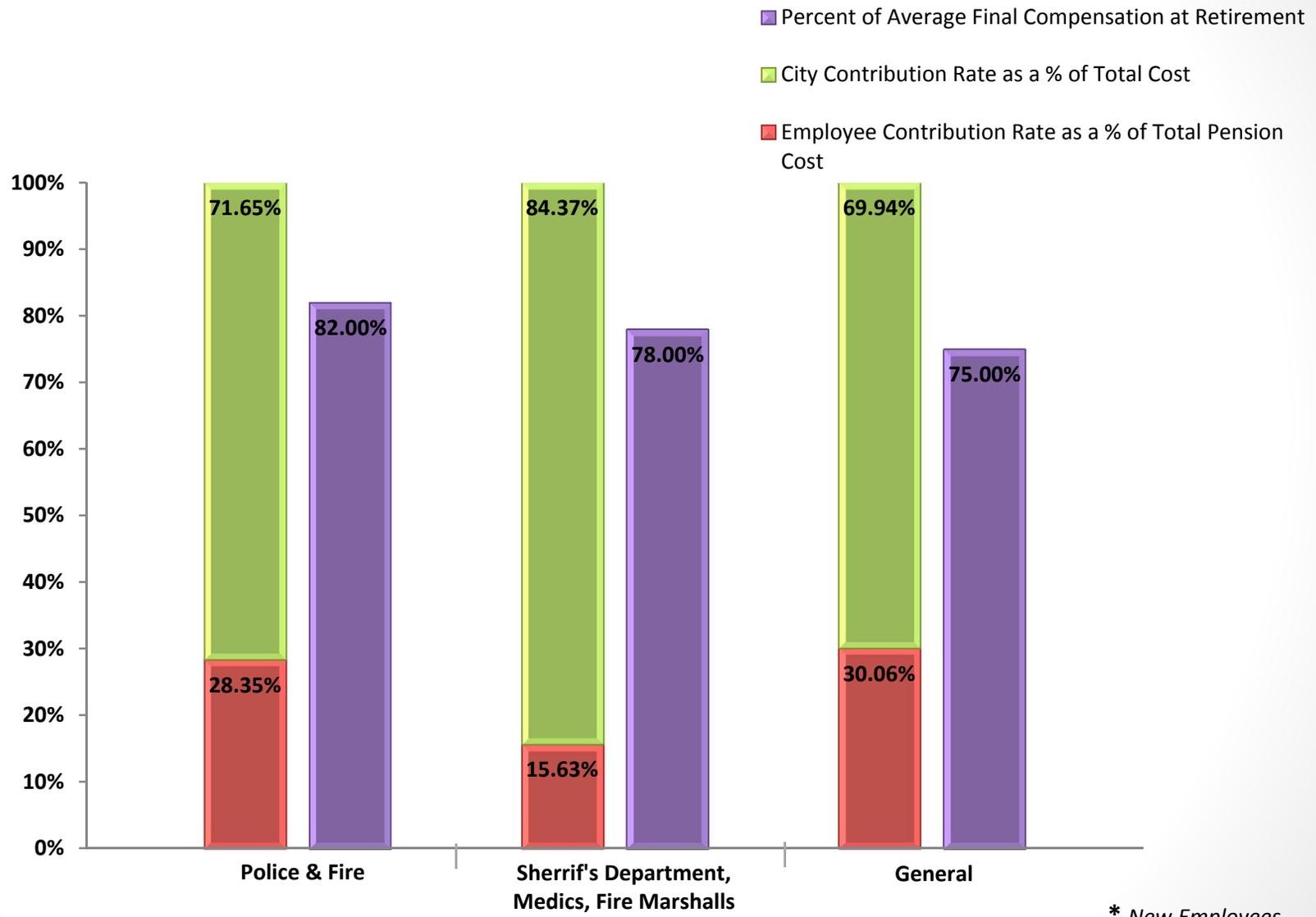
Two important changes were implemented in July 2009, which affected both current and new employees:

- 1) The cash refund of future City contributions to the Supplemental Plan was eliminated for all employees.
- 2) New employees required to contribute 2% of salary to the Supplemental Plan.

Pension Benefits (continued)

- One year later, City Council further amended the pension plans requiring that new employees contribute 4% of salary to the VRS 2 Plan.
- New General Schedule employees are now contributing 30.06% of the total pension cost to the their retirement plans – **a higher percentage of total pension costs than for any other employee group.** Future benefits for GS employees are **the least generous of all employee groups.**

Percent of Average Final Compensation at Retirement *



* New Employees

General Schedule Employee Salary Adjustments

- Inflation – since 1991, the cumulative rate of inflation has been 58.7%* while the combination of COLA's and MRA's have increased General Schedule employee salaries by 41.8% - a gap of 16.9%. No MRAs or COLAs were budgeted for the 4 years from FY09 to FY12.

*Source: Consumer Price Index, all Urban Consumers for the Washington-Baltimore, DC-MD-VA-WV region (CPI-U-DC) 1996=100. Bureau of Labor Statistics (BLS), U.S. Dept. of Labor, average to average annual rate.

The inflation rates for 2011 and 2012 are unknown. Since no MRA's or COLA's were approved for these FY's, the actual pay gap is expected to be even larger than presented here.

General Schedule Employee Salary Adjustments (continued)

- In 2006, sworn Public Safety employees received a 7.5% across the board increase in salaries (5.5% market rate plus 2% COLA). General Schedule employees received the COLA only.
- The following year, General Schedule employees received only 2% as a market rate adjustment, while all employees received an additional 3% COLA.

General Schedule Employee Salary Adjustments (continued)

- According to the 2012 Approved City Budget, the average yearly wage for GS employees was \$63,633. The budget indicates that the average Public Safety employee salary was \$70,219 – 10.3% higher than the GS employee average.
- 73% of General Schedule employees earn less than \$75,000 yearly and 29.3% earn less than \$50,000. HR reports that the median salary for General Schedule employees is \$59,957.

Wage Distribution for Full-Time General Schedule Employees

Salary Range	Total
\$25,000 - \$49,999	450
\$50,000 - \$74,999	669
\$75,000 - \$99,999	289
\$100,000 - \$124,999	81
\$125,000 - \$149,999	38
\$150,000 +	9

Source: Department of Human Resources – 8/2/2011

Myth #2: “General Schedule employees don’t have physically demanding jobs.”

GS employees fill a broad range of job classifications. Contrary to the image of the GS employee sitting at a desk, many employees are required to perform physically demanding manual labor each day. These include:

- Refuse Collector (GS 3 - \$28,181-\$40,149)
- Laborers (GS2, 5, and 9 - \$27,874 - \$52,857)
- Maintenance Worker (GS 8 – \$29,066 -\$50,333)

These employees are not presently given an option for early retirement based on the physical nature of their jobs.

Characteristics of GS Employees in Physically Demanding Positions

Job Classification	No. of Employees in Class	Average of Annual Salary	Average Age	Average Tenure
LABORER I	2	\$36,306.65	51.55	6.87
LABORER II	20	\$36,583.55	46.99	10.54
LABORER III	14	\$43,911.32	45.53	12.11
MAINT WKR REFUSE	2	\$38,509.30	36.84	6.21
COLLECTOR	15	\$34,456.83	46.39	13.37
Grand Total	53	\$37,979.50	46.22	11.45

Total excludes 25 temporary workers currently in these job classes.
 Source: HR Department 8/17/2011

Work/Life Balance Issues

- City employees staff more than 70 standing City boards and commissions, excluding special study and ad hoc committees.
- Most committees meet during evening hours requiring significant commitments of staff time beyond regular work hours.
- Once Exempt employees reach the accrual limit of 160 hours of comp time (240 hour max for Public Safety), no additional time can be accrued, meaning employees are sometimes working without compensation.

Work/Life Balance Issues (cont.)

GS employees are critical in staffing the City's response to emergencies.

- Both frontline and management-level staff are central to the City's response to flooding, hurricanes, major snow events and other types of disasters.
- Staff may be expected to work 12 hour shifts at the EOC
- Staff may be away from their homes and families for an extended period. During "Snowmageddon", many EOC staff worked 7 consecutive days without returning to their homes.

Part-time Employees

- According to HR, there are 325 GS employees who are employed on a part-time basis.
- Part-time employment is commonly recognized as a family-friendly and female-friendly work policy, especially for individuals who may have significant responsibilities in caring for children or aging parents.

Part-time Employees (cont.)

- The average salary for part-time employees is \$21,723 (FY2012 Approved Budget).
- Based on this average salary, a part-time employee retiring with full benefits could expect a total pension only \$425 monthly.
- While part-time employees retiring from the City may continue to purchase health insurance without access to the City's monthly stipend, no other post-employment benefits are available to part-time employees.
- Based on the total pension of \$425, the average under-65 part-time retiree's monthly pension income would be inadequate to purchase even the most affordable monthly health care plan for individual coverage (Kaiser Permanente) offered by the City.

Myth 3: “Increases in the City’s pension costs are solely due to VRS.”

- While increases in VRS since 2004 have been significant (from 5.75% of salary to 7.78%), increases in the Fire and Police Plan contributions have also grown significantly, increasing from \$5.6 million, or 22.35% of salary in 2004 to \$9.5 million, or 28.22% in 2012 – an increase of 69.6%.
- Total pensionable salaries for Fire and Police have increased by 35% during the same time period while GS VRS salaries increased by 28%

The Fire/Police Plan, on a per capita basis, is almost twice as expensive to the City as the per capita GS employee cost.

- 2010 F/P pension cost of \$8.6 million for 462 actives = approx. \$18,600 per employee.
- 2010 VRS/Supplemental pension cost of \$19.3 million for 2033 actives = approx. \$9,500 per employee.

Note: the GS cost is somewhat under-represented given that it includes PT workers who have significantly lower pension costs to the City. There are currently 325 PT employees that are covered only by the Supplemental Plan.

Myth 4: “Post-employment benefits are the same for all employee groups.”

Current pension plans vary depending on the employee group:

GS – Combination of VRS and Supplemental replaces
75% of AFC

Medics/Deputy Sheriff’s – 78% of AFC

Fire/Police – 82% of AFC

Employees who have purchased prior service credits through VRS will be eligible for full retirement through VRS before becoming eligible for full retirement through the Supplemental Plan. Therefore, the percentage of AFC replaced in retirement for these employees will be less than 75% unless they continue working past their VRS full retirement age.

Post-employment Benefits

Because participants in the F/P Plan can retire early with full benefits after 25 years of service , they can realistically be expected to have many more years in retirement than GS employees.

Based on the benefit supplement remaining unchanged, a Police Officer who retires at age 50 would receive a total retiree health supplement of \$46,800 by age 65. Therefore, the cost of providing retiree health benefits supplements for Police and Fire employees would be expected to significantly outpace that of GS employees.

Myth 5: “Public employees retire early with fat pensions.”

- Both VRS and the Supplemental Plans are conservatively administered with no opportunity for abuse, such as pension “spiking.”
- VRS AFC calculated by:
 - VRS1 – 3 year average of highest creditable compensation
 - VRS2 – 5 year average of highest creditable compensation
- Overtime and bonus pay not included in AFC.
- The Supplemental Plan provides no COLA.
- Neither VRS nor the Supplemental includes a health insurance component.

Impact of Early Retirement

GS employees cannot realistically retire early given the steep reduction in monthly benefits resulting from early retirement.

Reductions under VRS are based on age and years of service.

The Supplemental considers the retiree's age only.

As demonstrated in the following examples, a GS employee retiring at age 55 (10 years before full retirement eligibility) faces a 68% reduction in benefits.

Examples of Early Retirement (age 55) for Combined VRS1 and Supplemental

	Years of Service	Age at Retirement	Basic /Single Life Annuity	50% Survivor Benefit same age	100% Survivor Benefit same age
Individual A – AFC - \$36,000/ \$3,000 mo.	30 20	65 55	\$2250 \$713	\$1992/\$996 \$648/\$323	\$1783/\$1783 \$593/\$593
Individual B AFC - \$60,000/ \$5,000 mo.	30 20	65 55	\$3750 \$1188	\$3320/\$1660 \$1080/\$539	\$2972/\$2972 \$988/\$988
Individual C AFC - \$84,000 \$7,000 mo.	30 20	65 55	\$5250 \$1664	\$4648/\$2324 \$1511/\$755	\$4161/\$4161 \$1383/\$1383

Recommendations

Upcoming Report of the Joint Legislative Audit and Review Commission (JLARC)

- City Council should consider delaying any action on employee pensions until the release of the JLARC Report to the General Assembly. Report will not be issued until early 2012.
- City Council should consider increasing employee compensation to offset any increase in retirement contributions and affiliated salary reductions that may be approved by the General Assembly.

Recommendations

Employee Education and Outreach

- Update new employee offer letter to ensure the employee's understanding of direct pension and health care costs.
- Provide educational opportunities on use of retirement program webpages. Ensure that supervisors provide time and encourage use of these resources.
- Establish targeted, mandatory retirement education at 1) beginning of service, 2) mid-career, 3) within 5 years of full retirement eligibility.
- Add FTE to Pension Administration Division to assist with employee education efforts.

Recommendations

City Supplemental Plan

- Request analysis of the Supplemental Plan to determine fiscal impact of adding a COLA factor.
- Provide opportunity for purchase of prior service in Supplemental Plan.

Recommendations

457 Deferred Compensation Plan

Establish matching contribution program to encourage employee participation.

Recommendations

Governance

- Create a single governing board for all retirement plans.
- Provide opportunities for greater participation of GS employees in benefit plan management.

Recommendations

Benefits for Part-time Employees

Consider options to improve retirement benefits for PT employees, including increased pension benefits and access to post-employment health care.

Recommendations

Request for Study of Cost-sharing “trigger” that would take effect in fiscal crises (e.g., employees contribute when annual increases in pension costs exceed 50% in a given year)

Elements of study to include:

- Implementation and definitions,
- Options to address impact on lower wage workers
- Report of findings with opportunities for employee feedback.