

Employee Benefits

Mission

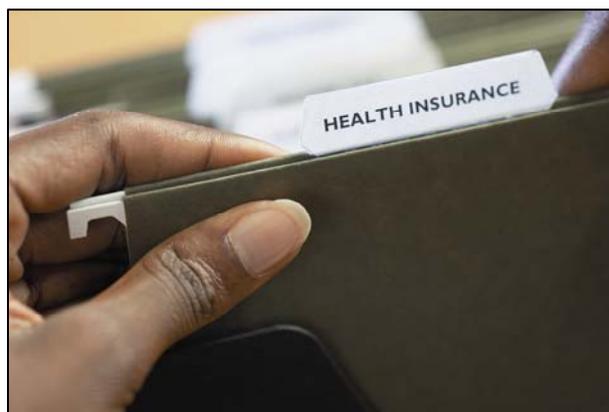
To provide centralized budgetary and financial control over employee fringe benefits paid by the County.

Focus

Agency 89, Employee Benefits, is a set of consolidated accounts that provide budgetary control for most employee fringe benefits paid by the County. Benefits paid for all County employees of General Fund agencies are expended from this agency, as well as most benefits paid for County employees in Non-General Fund agencies. Reimbursements are received from Non-General Fund agencies for benefits paid on behalf of their employees.

▪ Group Health Insurance

Fairfax County Government offers its employees and retirees several health insurance alternatives, with the intent of offering employees options that are both comprehensive and cost effective. Self-insured plan options include point of service, preferred provider option, and an open access plan (OAP), which combines aspects of both a point of service and preferred provider option plan. A fully-insured Health Maintenance Organization (HMO) is also available. The County's current selection of health insurance alternatives is a result of revisions enacted in FY 2007. The County partnered with Fairfax County Public Schools and undertook a selection process in calendar year 2006 to choose new providers for all



health insurance products in order to leverage the County's position in the marketplace and achieve competitive rates. In addition to implementing the self-insured OAP option effective January 1, 2007, enhanced vision benefits were also instituted across all health insurance plans as a result of the selection process. It should be noted that the County also intends to examine plans related to Medicare Part D to aid in finalizing an approach to the implementation of this new prescription drug benefit product.

It should be noted that the self-insured health insurance choices are administered through Fund 506, Health Benefits Trust Fund. For a more detailed discussion of the County's self-insured health trust fund, refer to Fund 506 in Volume 2 of the [FY 2009 Advertised Budget Plan](#).

▪ Dental Insurance

Fairfax County Government offers its employees and retirees a dental insurance preferred provider option in order to provide a comprehensive plan with maximum flexibility. The new dental insurance plan became effective January 1, 2005, and replaced three plans with a single dental insurance Preferred Provider Organization (PPO) plan. Included for the first time as part of the new offering was the provision of a 50 percent employer contribution for all eligible active employees who elected dental coverage. Inclusion of an employer contribution as part of the award of contract allowed the County to acquire a high quality, affordable dental insurance plan. It should be noted that retirees that participated in the dental plans that were replaced were given the option to enroll in the new PPO plan on a voluntary basis with no employer contribution.

▪ Group Life Insurance

Life insurance coverage for employees, as approved by the Board of Supervisors beginning in FY 1999, provides basic group life insurance coverage at one times the salary for all County employees funded solely through an employer contribution. If employees choose to accept life insurance coverage above the basic amount, they are responsible for paying the additional cost based on an age-banded premium rating scale.

Employee Benefits

- **Social Security (FICA)**

Social Security contributions represent the employer portion of salary required to meet Social Security and Medicare tax obligations for Fairfax County employees. Social Security contributions are calculated utilizing a combined rate which includes the portion of salary contributed for Social Security benefits and the portion of salary contributed for Medicare benefits applied to a pre-determined wage base. Any change to the wage base or the Social Security rate is announced in October/November and takes effect January 1 of the upcoming year.

- **Retirement**

Retirement expenditures represent the General Fund net contribution to the three retirement systems as set by employer contribution rates. On March 18, 2002 the Board of Supervisors adopted a corridor approach to employer contributions. The corridor approach adds further stability to the employer contribution rates and continues to adequately fund the Retirement Systems. In the corridor method of funding, a fixed contribution rate is assigned to each System and the County contributes at the fixed rate unless the System's funding ratio falls outside the pre-selected corridor of 90-120 percent or if benefit enhancements are approved.

In addition, retirees are eligible to receive a Cost-of-Living Adjustment (COLA) composed of a base COLA which is the lesser of the Consumer Price Index (CPI) for the 12 months ending on the previous year's March 31, or 4.0 percent. An additional 1.0 percent COLA can be awarded at the discretion of each retirement system's Board of Trustees. This additional COLA is considered a benefit enhancement and results in an increase in the employer contribution rate.

A Deferred Retirement Option Plan (DROP) was added as a benefit enhancement for members of the Uniformed and Police Officers Retirement Systems in FY 2004 and was added for members of the Employees' Retirement System in FY 2006. For a more detailed discussion of the County's retirement systems, refer to Fund 600, Uniformed Retirement, Fund 601, Fairfax County Employees' Retirement, and Fund 602, Police Officers Retirement, in Volume 2 of the FY 2009 Advertised Budget Plan.

- **Virginia Retirement System (VRS)**

Beginning in FY 1996, VRS funding was provided in Agency 89 for 233 Health Department employees who were converted from state to County employment. Funding reflects the County's share of payments made into VRS for the converted employees. It should be noted that VRS payments are included only for these converted employees. As they terminate service with the County or transfer to other positions within the County, funding for VRS payments will be reduced.

In FY 2006, the Board of Supervisors approved two additional benefits for employees who remain in VRS. First, current and future retirees who participate in a County health plan are eligible to receive the differential between the County retiree health benefit subsidy for which the employee is eligible based on years of service and the subsidy provided by VRS. For a more detailed discussion of this benefit, refer to Fund 603, OPEB Trust Fund, in Volume 2 of the FY 2009 Advertised Budget Plan. Second, the County began allowing converted employees to use accrued sick leave to purchase additional service credit in VRS upon retirement. Thus, beginning in FY 2007, funding for VRS in Agency 89, Employee Benefits, also includes these County payments made on behalf of the employees.

- **Unemployment Compensation**

Unemployment compensation payments reflect premiums paid to the state based on the actual number of former Fairfax County employees filing claims.

- **Capital Projects Reimbursements**

Capital Projects reimbursements represent the reimbursable portion of fringe benefits for County employees who charge a portion of their time to capital projects.

Employee Benefits

- **Training**

General training centrally managed by the Organizational Development and Training Division includes: language skills training to recruit and retain bilingual staff to better serve foreign-born residents; the employee tuition assistance (TAP) and language tuition assistance (LTAP) reimbursement programs; and courses related to the new Employee Development and Learning Program implemented in calendar year 2006. The foundation of this new learning approach is the Countywide Competency Map for Employee Development, which identifies competencies that promote leadership and learning for the entire County workforce and aligns training and competencies to all levels in the organization. The competency map promotes the concept that "Leadership Can Happen at Every Level", and contains lists of leadership competencies (i.e. knowledge, skills, and abilities) such as conflict resolution, customer service, and project management, for employees at every level in the organization.

Countywide initiatives include designated training approved by the County Executive and Deputy County Executives, performance measurement training, and expenses associated with the County Executive's specially designated task forces.

Technology-related training is offered in recognition of the challenges associated with maintaining skills at the same pace as technology changes. The rate of change in information technology has out-paced the County's ability to maintain proficiency. As the County's workforce becomes increasingly dependent on information technology, training support has become more essential.

- **Language Skills Proficiency Pay**

In FY 2007, a Language Skills Proficiency pay program was created to attract and retain employees with bilingual language skills. Many County departments are increasingly turning to employees with bilingual skills to provide direct service to Limited English Proficiency (LEP) customers in an effort to better serve the diverse community. Employees that provide direct service to LEP customers for at least 35 percent or more of their work time are eligible for the language skills stipend.

- **Employee Assistance Program (EAP)**

Provision of EAP services, including assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise, is funded through a contract with an outside vendor.

- **Other Operating/Capital Equipment**

The operating expenses of the Employees Advisory Council (EAC) are funded utilizing one-third of 85 percent of the actual revenues realized from vending machine sales.

Employee Benefits

Budget and Staff Resources

Agency Summary				
Category	FY 2007 Actual	FY 2008 Adopted Budget Plan	FY 2008 Revised Budget Plan	FY 2009 Advertised Budget Plan
Expenditures:				
Fringe Benefits Expenditures	\$224,039,070	\$244,924,121	\$242,502,201	\$248,843,376
Fringe Benefits Reimbursements	(39,782,634)	(44,605,208)	(41,710,208)	(39,497,545)
Net General Fund Fringe Benefits	\$184,256,436	\$200,318,913	\$200,791,993	\$209,345,831
Personnel Services	\$0	\$0	\$0	\$0
Operating Expenses ¹	2,155,582	3,498,452	4,723,414	2,540,497
Capital Equipment	0	0	0	0
Total Expenditures	\$186,412,018	\$203,817,365	\$205,515,407	\$211,886,328

¹ Includes Training, Conferences, and Other Operating Expenses.

FY 2009 Funding Adjustments

The following funding adjustments from the FY 2008 Revised Budget Plan are necessary to support the FY 2009 program:

- ◆ **Group Health Insurance** **\$2,216,027**
 Health Insurance premiums total \$65,931,160, an increase of \$2,216,027, or 3.5 percent, over the FY 2008 Revised Budget Plan. The increase is based on a projected average increase of 5.0 percent for all County health insurance plans, effective January 1, 2009. The large percentage increases experienced by most employers earlier this decade have somewhat mitigated, and the County's experience mirrors this trend. However, advances in medical technology, the increasing cost of medical malpractice and liability insurance, and increased utilization will continue to drive increases in medical costs.
- ◆ **Dental Insurance** **\$229,979**
 Dental Insurance premiums total \$2,885,580, an increase of \$229,979, or 8.7 percent, over the FY 2008 Revised Budget Plan. The increase is based on a projected premium increase of 5.0 percent, effective January 1, 2009, and increased employee participation.
- ◆ **Group Life Insurance** **(\$115,326)**
 Life Insurance premiums total \$1,875,651, a decrease of \$115,326, or 5.8 percent, from the FY 2008 Revised Budget Plan. The decrease is based on \$284,952 of projected savings in FY 2008, partially offset by increases of \$133,814 based on a projected premium increase of 5.0 percent, effective January 1, 2009; \$19,649 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance; and \$16,163 based on the FY 2009 Market Index of 1.48 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2009.

Employee Benefits

◆ **Social Security (FICA) \$4,084,742**

Social Security contributions total \$45,948,013, an increase of \$4,084,742, or 9.8 percent, over the *FY 2008 Revised Budget Plan*. The increase includes \$3,873,553 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance and to reflect the change in the federally set maximum pay base against which contributions are calculated and \$211,189 based on the FY 2009 Market Index of 1.48 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2009.

Note: The Social Security wage base increases from \$97,500 to \$102,000 as of January 1, 2008 for the 6.20 percent base contribution rate. The wage base against which the 1.45 percent rate for Medicare is applied remains unlimited. The overall Social Security rate remains unchanged at 7.65 percent. The wage base and/or rate change for January 1, 2009 is not yet known; any subsequent adjustments to the Social Security wage base with a fiscal impact will be included at a quarterly review during FY 2009.

◆ **Retirement (Fairfax County Employees', Uniformed, Police) \$2,172,533**

FY 2009 employer contributions to the retirement systems total \$92,122,429, an increase of \$2,172,533, or 2.4 percent, over the *FY 2008 Revised Budget Plan*. The increase includes \$1,594,016 associated with salary adjustments necessary to support the County's compensation program for merit increases and pay for performance; \$1,000,867 based on the FY 2009 Market Index of 1.48 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2009; and \$1,346,572 based on projected increases in the employer contribution rates (*see table below for further details*), partially offset by a decrease of \$1,768,922 based on projected savings in FY 2008.

The increase in rates for FY 2009 follows the current effective actuarial funding policy whereby contribution rates are adjusted to fund approved benefit enhancements and/or to recognize funding adjustments required when the funding ratio is below 90 percent or above 120 percent.

Adjustments Associated with the Corridor

- As a result of the June 30, 2007 actuarial valuation, based on the investment returns experienced by the fund and actuarial losses related to liabilities, the funding ratio for the Employees' system increased slightly from 85.2 to 85.5 percent. However, no change was warranted in the employer contribution rate. The Police Officers and Uniformed systems remain within the corridor at 93.3 percent and 92.6 percent respectively, with no adjustment to the contribution rate.

Increases Associated with Benefit Enhancements

- The employer contribution rate for the Police Officers system is required to increase by 1.34 percentage points. An increase of 0.45 percentage points is based on a retiree cost of living increase benefit enhancement approved by the system's Board of Trustees effective July 1, 2007. An additional increase in the employer contribution rate of 0.89 percentage points is the result of a decrease in the employee contribution rate of 1.00 percentage point, from 11.00 percent to 10.00 percent of pay. This decrease in the employee contribution rate will reduce Police Officers' out-of-pocket costs and make the Police benefits package more competitive with surrounding jurisdictions. It is anticipated that additional adjustments will be made in subsequent years to continue to reduce the employee contribution rate for the Police Officers system.

Employee Benefits

The following table shows the FY 2008 contribution rates and projected rates for FY 2009 as included in the FY 2009 Advertised Budget Plan. It should be noted that the net General Fund impact solely based on the change in the rates is reflected in the table below:

Fund	FY 2008 Rates (%)	FY 2009 Advertised Rates (%)	Percentage Point Increase (%)	Reason for Increase	General Fund Impact
Uniformed	26.33	26.33	0.00	No change.	\$0
Employees'	9.59	9.59	0.00	No change	\$0
Police	21.00	22.34	1.34	Increase of 0.45 percentage points and \$452,207 based on an elective 1.00 percent COLA and an increase of 0.89 percentage points and \$894,365 due to a 1.00 percentage point decrease in the employee contribution rate from 11.00 to 10.00 percent of pay.	\$1,346,572
Total					\$1,346,572

- ◆ **Virginia Retirement System (VRS)** **\$56,651**
 Virginia Retirement System contributions total \$1,355,336, an increase of \$56,651, or 4.4 percent, over the *FY 2008 Revised Budget Plan*. The increase is associated with salary adjustments necessary to support the County's compensation program for pay for performance. Note: The number of employees covered by VRS has decreased from 233 in FY 1996 at the program's inception to 96 in FY 2009.
- ◆ **Unemployment Compensation** **\$42,372**
 Unemployment Compensation expenditures total \$363,166, an increase of \$42,372, or 13.2 percent, over the *FY 2008 Revised Budget Plan*. The increase is due to a projected growth in expenditures.
- ◆ **Capital Projects Reimbursements** **(\$133,140)**
 Capital Projects reimbursements total \$1,135,504, an increase of \$133,140, or 13.3 percent, over the *FY 2008 Revised Budget Plan*. The increase is associated with an anticipated increase in reimbursements for those employees who charge a portion of their time to capital projects.
- ◆ **Training** **(\$2,224,962)**
 Training funding totals \$1,977,850, a decrease of \$2,224,962, or 52.9 percent, from the *FY 2008 Revised Budget Plan*. The decrease is primarily due to a \$1,000,000 reduction associated with the one-time funding of a compensation study reserve in FY 2008 and one-time carryover of \$1,224,962 at the *FY 2007 Carryover Review*.

Total FY 2009 training funding includes the following:

- \$742,850 for General County Training programs including competency development courses offered using a framework targeted towards employee needs at each career stage.
- \$605,000 is included for countywide initiatives including designated training approved by the County Executive and the Deputy County Executives, performance measurement training, and expenses associated with specially designated task forces and special studies.
- \$50,000 is included to continue funding for Microsoft Outlook training for new employees and to provide refresher courses as needed.
- \$220,000 is included to continue funding information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes.

Employee Benefits

- \$300,000 is included for Tuition Assistance Program (TAP) reimbursements.
- \$60,000 is included for Language Tuition Assistance Program (LTAP) reimbursements.

- ◆ **Other Benefits** **\$42,045**
A net increase of \$42,045 over the *FY 2008 Revised Budget Plan* reflects the expenditures for the Employee Assistance Program (EAP) and the Employees Advisory Council (EAC), with the increase being primarily attributable to an anticipated increase of \$41,279 in EAP expenses, and an increase of \$766 in the contribution to the EAC based on the calculation methodology which takes one-third of 85 percent of the actual revenues realized from vending machine sales.

NOTE THE FOLLOWING ADJUSTMENTS ARE SPREAD ACROSS THE FRINGE BENEFIT CATEGORIES DETAILED ABOVE. THEY ARE REPORTED IN SUMMARY HERE FOR CLARIFICATION PURPOSES:

- ◆ **Personnel Services Reduction** **(\$379,278)**
A decrease of \$379,278 in Fringe Benefits as part of an across-the-board reduction to meet budget limitations based on available revenues as a result of a continued softening of the residential real estate market. This adjustment impacts Life Insurance premiums, Social Security contributions, and employer contributions to the Uniformed, Employees', and Police Retirement Systems.
- ◆ **Market Adjustments** **\$1,228,219**
A net increase of \$1,228,219 in Fringe Benefits based on the FY 2009 Market Index of 2.96 percent, discounted by 50 percent to 1.48 percent as a result of budget constraints, is included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2009. This adjustment impacts Life Insurance premiums, Social Security contributions, and employer contributions to the Uniformed and Police Retirement Systems.
- ◆ **Pay for Performance Reduction** **(\$466,846)**
A decrease of \$466,846 in Fringe Benefits resulting from a 50 percent discount to employee increases as part of the pay for performance system for FY 2009. This adjustment impacts Life Insurance premiums, Social Security contributions, and employer contributions to the Employees' Retirement System.

Changes to FY 2008 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2008 Revised Budget Plan since passage of the FY 2008 Adopted Budget Plan. Included are all adjustments made as part of the FY 2007 Carryover Review and all other approved changes through December 31, 2007:

- ◆ **Carryover Adjustments** **\$1,698,042**
As part of the *FY 2007 Carryover Review*, the Board of Supervisors approved encumbered funding of \$875,503 and unencumbered funding of \$349,459 in Operating Expenses, as well as \$473,080 in Fringe Benefits associated with the net creation of 18/19.90 SYE new positions.

Employee Benefits

The following chart summarizes Employee Benefit costs and associated reimbursements from Non-General Fund agencies and from capital projects.

Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2007 Actual	FY 2008 Adopted	FY 2008 Revised	FY 2009 Advertised	Amount Inc/(Dec)	% Inc/ (Dec)
Fringe Benefits						
Group Health Insurance						
Expenditures	\$67,107,724	\$74,947,843	\$72,211,837	\$70,853,010	(\$1,358,827)	(1.9%)
Reimbursements	(8,177,380)	(12,496,704)	(8,496,704)	(4,921,850)	3,574,854	(42.1%)
Net Cost	\$58,930,344	\$62,451,139	\$63,715,133	\$65,931,160	\$2,216,027	3.5%
Dental Insurance						
Expenditures	\$3,528,206	\$3,892,364	\$4,100,995	\$4,411,972	\$310,977	7.6%
Reimbursements	(1,330,967)	(645,394)	(1,445,394)	(1,526,392)	(80,998)	5.6%
Net Cost	\$2,197,239	\$3,246,970	\$2,655,601	\$2,885,580	\$229,979	8.7%
Group Life Insurance						
Expenditures	\$2,560,733	\$2,713,250	\$2,873,355	\$3,136,383	\$263,028	9.2%
Reimbursements	(837,967)	(762,378)	(882,378)	(1,260,732)	(378,354)	42.9%
Net Cost	\$1,722,766	\$1,950,872	\$1,990,977	\$1,875,651	(\$115,326)	(5.8%)
FICA						
Expenditures	\$52,546,257	\$56,686,589	\$55,570,428	\$60,022,999	\$4,452,571	8.0%
Reimbursements	(13,275,571)	(12,707,157)	(13,707,157)	(14,074,986)	(367,829)	2.7%
Net Cost	\$39,270,686	\$43,979,432	\$41,863,271	\$45,948,013	\$4,084,742	9.8%
Employees' Retirement						
Expenditures	\$41,109,684	\$44,404,197	\$44,965,708	\$45,502,604	\$536,896	1.2%
Reimbursements	(13,536,055)	(15,428,959)	(14,628,959)	(14,175,457)	453,502	(3.1%)
Net Cost	\$27,573,629	\$28,975,238	\$30,336,749	\$31,327,147	\$990,398	3.3%
Uniformed Retirement						
Expenditures	\$36,486,832	\$39,097,529	\$39,197,529	\$40,089,943	\$892,414	2.3%
Reimbursements	(1,408,959)	(1,492,312)	(1,492,312)	(2,057,644)	(565,332)	37.9%
Net Cost	\$35,077,873	\$37,605,217	\$37,705,217	\$38,032,299	\$327,082	0.9%
Police Retirement						
Expenditures	\$19,222,753	\$21,562,870	\$21,962,870	\$23,107,963	\$1,145,093	5.2%
Reimbursements	(233,536)	(69,940)	(54,940)	(344,980)	(290,040)	527.9%
Net Cost	\$18,989,217	\$21,492,930	\$21,907,930	\$22,762,983	\$855,053	3.9%
Virginia Retirement System	\$1,174,847	\$1,298,685	\$1,298,685	\$1,355,336	\$56,651	4.4%
Unemployment Compensation	\$302,034	\$320,794	\$320,794	\$363,166	\$42,372	13.2%
Capital Project Reimbursements	(\$982,199)	(\$1,002,364)	(\$1,002,364)	(\$1,135,504)	(\$133,140)	13.3%
Total Fringe Benefits:						
Expenditures	\$224,039,070	\$244,924,121	\$242,502,201	\$248,843,376	\$6,341,175	2.6%
Reimbursements	(\$39,782,634)	(\$44,605,208)	(\$41,710,208)	(\$39,497,545)	\$2,212,663	(5.3%)
Total Fringe Benefits	\$184,256,436	\$200,318,913	\$200,791,993	\$209,345,831	\$8,553,838	4.3%
Operating Expenses						
Tuition/Training	\$1,702,211	\$2,977,850	\$4,202,812	\$1,977,850	(\$2,224,962)	(52.9%)
Other Operating	46,720	39,176	39,176	39,942	766	2.0%
Language Proficiency Pay	138,620	198,528	198,528	198,528	0	0.0%
Employee Assistance Program	268,031	282,898	282,898	324,177	41,279	14.6%
Total Operating Expenses	\$2,155,582	\$3,498,452	\$4,723,414	\$2,540,497	(\$2,182,917)	(46.2%)
TOTAL EXPENDITURES	\$226,194,652	\$248,422,573	\$247,225,615	\$251,383,873	\$4,158,258	1.7%
TOTAL REIMBURSEMENTS	(\$39,782,634)	(\$44,605,208)	(\$41,710,208)	(\$39,497,545)	\$2,212,663	(5.3%)
NET COST TO THE COUNTY	\$186,412,018	\$203,817,365	\$205,515,407	\$211,886,328	\$6,370,921	3.1%