

EMPLOYEE BENEFITS

AGENCY MISSION

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

AGENCY SUMMARY					
Category	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Expenditures:					
Fringe Benefits					
Expenditures	\$105,602,372	\$116,092,355	\$114,376,311	\$123,314,834	\$130,569,969
Reimbursements	(20,052,419)	(21,307,773)	(21,532,252)	(21,829,487)	(23,505,176)
Net General Fund Fringe					
Benefits	\$85,549,953	\$94,784,582	\$92,844,059	\$101,485,347	\$107,064,793
Personnel Services	\$11,653	\$13,000	\$13,000	\$13,000	\$13,000
Operating Expenses ¹	7,973,476	8,186,028	8,672,492	9,141,792	9,266,792
Capital Equipment	33,759	0	11,116	0	0
Total Expenditures	\$93,568,841	\$102,983,610	\$101,540,667	\$110,640,139	\$116,344,585

¹ Includes Training, Conferences, Workers Compensation, and Other Operating Expenses.

SUMMARY BY COST CENTER					
Cost Center	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Employee Benefits	\$92,312,873	\$100,570,664	\$98,684,931	\$107,268,415	\$112,847,861
Training and Conferences ¹	1,255,968	2,412,946	2,855,736	3,371,724	3,496,724
Total Expenditures	\$93,568,841	\$102,983,610	\$101,540,667	\$110,640,139	\$116,344,585

¹ Includes Training, Conferences, Other Operating Expenses, and Capital Equipment.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2001 Advertised Budget Plan, as approved by the Board of Supervisors on April 24, 2000:

- The 2.5 percent cost-of-living/market rate adjustment approved by the Board of Supervisors, and previously held in reserve, has been spread to County agencies and funds. This action results in an increase of \$2,220,425 to Employee Benefits.
- An increase of \$3,931,746 to fund the impact of the retirement benefit enhancements approved by the Board of Supervisors on February 28, 2000. The approved adjustments take effect July 1, 2000 and include an increase in the multiplier for the Uniformed retirees, an extension of the supplemental benefit for Supplemental retirees until the date of full Social Security benefits and an increase in the multiplier for Police retirees.
- An increase of \$693,240 for fringe benefit increases associated with funding for the new pay plan for the office of the Sheriff, additional funding for the market rate adjustment based on market appeals on selected job classes in the Fire and Rescue Department and additional positions approved by the Board of Supervisors as part of the FY 2001 Adopted Budget Plan.

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- An adjustment of \$1,265,965 in fringe benefits reimbursements associated with the establishment of the new E-911 Fund. The 2000 General Assembly passed legislation that requires localities to account for E-911 revenue and expenditures as a special revenue fund. Allowable personnel services expenditures will be charged to this fund and recorded as a reimbursement to Agency 89, Employee Benefits.
- An increase of \$125,000 to fund a review of the County's retirement programs in order to provide strategic long-term retirement program goals, comparative reviews, and recommendations to ensure alignment of program objectives and funding considerations.

The following funding adjustments reflect all approved changes to the FY 2000 Revised Budget Plan from January 1, 2000 through April 17, 2000. Included are all adjustments made as part of the FY 2000 Third Quarter Review:

- An expenditure decrease of \$1,300,000 in Fringe Benefits due to a projected balance for Social Security (FICA) based on actual requirements to date in FY 2000 and other related benefit costs based on actual and projected salary base.

County Executive Proposed FY 2001 Advertised Budget Plan



Agency Overview

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.

An increase of \$7,799,472 over the FY 2000 Revised Budget Plan is primarily due to an increase of \$3.84 million for health insurance, an increase of \$2.49 million for retirement including \$1.77 million for Supplemental, \$0.04 million for Uniformed and \$0.67 million for Police, an increase of \$0.95 million for social security (FICA) and an increase of \$0.82 million for training offset by a decrease of \$0.45 million in Life Insurance premiums.

The increase in health insurance expenditures is primarily due to projected premium increases of 15.0 percent for both the County's self-insured program and the Health Maintenance Organizations based on anticipated increases in cost growth.

The increase in employer contributions to the retirement system is primarily due to new positions approved by the County Executive, the implementation of the County's new pay for performance evaluation system and the impact of the market pay study which will take effect July 1, 2000.

In FY 2001, Social Security payments increase primarily due to the grade of existing employees and the change in the base from \$72,600 to \$76,200.

Additionally, in FY 2001, the increase of \$0.81 million in funding for training is primarily due to increased funding for tuition assistance, career development/IT training, performance management training and supervisory training, and agency specific training.

The funding level in FY 2001 for each category of employee benefits is described below. Net costs reported in the table entitled Summary of Employee Benefit Costs by Category include reimbursements from Non-General Fund agencies.

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- **Group Health Insurance**

In FY 2001, group health insurance premiums total \$28,911,370, an increase of \$3,836,456 or 15.3 percent over the FY 2000 Revised Budget Plan. Health Insurance premiums increase primarily as a result of anticipated increases of 15.0 percent for the self-insured program and the County's health maintenance organizations (HMOs).

Fairfax County Government offers its employees and retirees two health insurance alternatives. The first is a self insured alternative including FairChoice+ (a dual option managed care plan through the Blue Cross Blue Shield of the National Capital Area) and Blue Cross/Blue Shield Out-of-Area for those employees and retirees who live outside of the FairChoice+ network area. The second alternative includes vendor administered Health Maintenance Organizations (HMOs). As of June 30, 2000 the current HMO contracts expire. Beginning in late 1999 a selection advisory committee was formed to select HMO providers for the period beginning July 1, 2000. Final decisions will be made in the spring of calendar year 2000.

Additionally, in FY 2001 the County's health insurance plans will implement "in the month/for the month" premium payments. This revision allows employees to join health insurance plans the first month that they pay premiums without the current waiting period. Conversely, it also means that employees will be removed from the plan at the end of the last month they pay premiums rather than remaining in the plan until the end of the following month. There is no fiscal impact associated with this change for FY 2001.

The FairChoice+ and the Blue Cross/Blue Shield Out-of-Area plans comprise the County's self-insured health insurance choices; they are administered through Fund 506, Health Benefits Trust Fund. The County share of premiums for General Fund employees in FairChoice+ and the Blue Cross/Blue Shield Out-of-Area Plan is expended from Agency 89, Employee Benefits, while the County share of premiums for Non-General Fund employees is billed directly to the respective Non-General Fund agencies. For a more detailed discussion of the County's self-insured health trust fund, refer to Fund 506, Volume 2 of the FY 2001 Advertised Budget Plan.

The County share of premiums for General Fund and Non-General Fund employees enrolled in the various HMOs are paid directly from Agency 89 to the HMO. Non-General Fund agencies then reimburse the General Fund for the HMO health insurance costs related to their employees.

- **Group Life Insurance**

Group life insurance premiums total \$1,404,412, a decrease of \$446,837 or 24.1 percent from the FY 2000 Revised Budget Plan level. Life insurance coverage for employees, as approved by the Board of Supervisors, beginning in FY 1999, provides Group life insurance coverage at 1 times salary for all County employees funded solely through an employer contribution. If employees choose to accept life insurance coverage above this amount they are responsible for paying the full premium based on an age-banded premium rating scale.

- **Social Security (FICA)**

In FY 2001, Social Security contributions total \$28,676,819, an increase of \$947,148 or 3.4 percent over the FY 2000 Revised Budget Plan, primarily reflecting a change in the maximum pay base against which contributions are calculated, the grade of existing employees and changes in positions.

As of January 1, 2000, the maximum pay base against which Social Security contributions are calculated increased from \$72,600 to \$76,200 for the 6.20 percent base contribution rate. The wage base against which the 1.45 percent rate for Medicare is applied remains unlimited. Although the overall rate of 7.65 percent for social security remained unchanged on January 1, 2000, the rate for January 1, 2001 is not yet known. Should there be an increase at that time, any necessary adjustments to the budget will be made, as information becomes available.

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- **Retirement**

The General Fund net contribution to the three retirement systems totals \$42,170,964, an increase of \$2,485,875 or 6.3 percent over the FY 2000 Revised Budget Plan. This increase is primarily due to position adjustments, the implementation of the County's new pay for performance evaluation system and the impact of the market pay study effective July 1, 2000.

For planning purposes, the Board of Trustees of each retirement system has recommended that the employer contribution rates remain at the FY 2000 level of: 18.40% for Police, 6.04% for Supplemental and 18.75% for Uniformed. It should be noted that the rates calculated in the actuarial valuation are 14.48% for Police, 4.67% for Supplemental and 15.49% for Uniformed. However, the Boards of Trustees do not recommend rate reductions pending final decisions on the impact of the market rate study, pay for performance and a review of funding policy.

It should be noted that 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. As in recent years, based on the favorable investment returns experienced by the retirement system, if awarded, the additional 1.0 percent COLA will be absorbed within the available fund balance, at no additional cost to the General Fund.

- **Virginia Retirement System (VRS)**

Funding of \$1,020,345 is included for VRS payments. Beginning in FY 1996, VRS funding was provided in Agency 89 for 233 Health Department employees that were converted from State to County employment. Funding reflects the County share of payments made into the Virginia Retirement System 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.

- **Unemployment Compensation**

Funding of \$306,076 is included for Unemployment Compensation based on current expenditure requirements. Unemployment compensation payments reflect premiums paid to the state based on the actual number of former Fairfax County employees filing claims.

- **Capital Projects Reimbursements**

In FY 2001, Capital Projects reimbursements total \$1,004,639, a decrease of \$108,890 or 9.7 percent from the FY 2000 Revised Budget Plan, due to revised projections of staff hours spent working on capital projects.

- **Training**

In FY 2001 training totals \$3,340,190, an increase of \$817,524 over the FY 2000 Revised Budget Plan. Training and conferences funding in Agency 89 provides for General County Training programs, Countywide training initiatives, Information Technology training, Task Force Funding, the Tuition Assistance and Language Tuition Assistance Programs (TAP/LTAP), and certification and mission essential agency specific training.

A total of \$555,535, or 16.6 percent of the total Agency 89 training funding, is required for general training centrally managed by the Department of Human Resources. \$95,000 is provided for language skills training. In conjunction with the County's efforts to recruit and retain bilingual staff to better serve foreign-born residents, funding is provided for continuation of language skill training. This program will improve service delivery to the growing number of foreign born residents of the County. \$460,535 is included for General County Training Programs including courses related to performance management, communications, supervisory development, computer-based training, Zenger Miller and career and leadership development. It should be noted that included in this funding is \$230,185 for Performance Management training for supervisors to develop additional supervisory skills associated with the implementation of the County's new Pay for Performance evaluation system.

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A total of \$105,000, or 3.1 percent of the total training funding, is required for Countywide initiatives including and for specially designated training approved by the County Executive and Deputy County Executives, performance measurement training and a career development training program.

An amount of \$320,000 or 9.6 percent of the total training funding is included for information technology training. Of this amount, \$200,000 is included 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. An additional amount of \$120,000 is included to train new County employees in the County's E-mail system, Microsoft Outlook.

An amount of \$300,000 or 9.0 percent of the total Agency 89 training funding, is included for expenses associated with the County Executive's specially designated task forces.

An amount of \$225,000 or 6.7 percent is included for employee tuition assistance (TAP) and language tuition assistance (LTAP) programs. Of this amount, \$200,000 is included for TAP and \$25,000 is included for LTAP. TAP funding will provide reimbursement for approximately 362 employees in FY 2001 that is consistent with the FY 2000 level. The LTAP provides County employees endeavoring to enhance the communication skills required to perform effectively in their daily operations a method of utilizing outside course work and receiving reimbursement for their efforts. The FY 2001 funding level will provide reimbursements for approximately 100 employees.

In FY 2001 a total of \$1,834,655 or 54.9 percent is funded for agency specific training. It should be noted that, of this amount \$856,138 or 46.7 percent is included for training needs for staff in the Police Department, the Office of the Sheriff and the Fire and Rescue Department. Agency specific training is limited to instruction required to maintain professional certifications or training required to maintain the skills of employees who provide mission essential services. Funded courses range from continuing legal training required for judges to training of public safety personnel in homicide investigation techniques and emergency medical care.

- **Workers Compensation**

Workers Compensation totals \$5,513,556, an amount equal to the FY 2000 Revised Budget Plan level. Workers compensation funding reflects payments to Fund 501, County Insurance Fund for General Fund premiums. For a more detailed discussion of the County Insurance Fund refer to Fund 501, Volume 2 of the FY 2001 Advertised Budget Plan.

- **Employee Assistance Program (EAP)**

FY 2001 funding of \$269,512 is required to fund the contract for provision of EAP services, including assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise.

- **Other Operating/Capital Equipment**

A total of \$31,534, an increase of \$11,624 or 58.4 percent over the FY 2000 Revised Budget Plan level is provided for the Employee's Advisory Council (EAC). This funding level represents the decision to fund EAC operating expenses by using 33 percent of the revenues realized from Vending Machine sales.

EMPLOYEE BENEFITS



Funding Adjustments

The following funding adjustments reflect all approved changes in the FY 2000 Revised Budget Plan since passage of the FY 2000 Adopted Budget Plan. Included are all adjustments made as part of the FY 1999 Carryover Review and all other approved changes through December 31, 1999:

- A net decrease of \$323,263 at the FY 1999 Carryover Review is associated with a decrease of \$602,055 based on a recommendation by the Auditor to the Board to fund the additional 1.0 percent cost-of-living adjustment (COLA) for retirees through available actuarial surpluses in the three Retirement systems instead of an increase in the employer contribution rates. This amount is partially offset by \$278,792 associated with the impact of the implementation of recommendations from the information technology study and other position adjustments including additional positions for General District Court, Juvenile and Domestic Relations Court and the Health Department.
- Unencumbered carryover at the FY 1999 Carryover Review in the amount of \$84,863 provides for reimbursements for FY 1999 TAP/LTAP participants who were awaiting confirmation of grades and task force funding due to a delay in processing operating expense payments.
- Encumbered carryover of \$95,457 at the FY 1999 Carryover Review.

A chart summarizing Employee Benefit costs and associated reimbursements from Non-General Fund agencies and from capital projects is shown on the following two pages.

EMPLOYEE BENEFITS

SUMMARY OF EMPLOYEE BENEFITS COSTS BY CATEGORY

BENEFIT CATEGORY	FY 1999 Actual	FY 2000 Adopted	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
Fringe Benefits							
Group Health Insurance							
Expenditures	\$26,050,334	\$29,737,076	\$28,603,190	\$34,351,725	\$34,482,117	\$5,878,927	20.55
Reimbursements	(4,392,990)	(4,774,470)	(4,828,276)	(5,440,355)	(5,440,355)	(612,079)	12.68
Net Cost	\$21,657,344	\$24,962,606	\$23,774,914	\$28,911,370	\$29,041,762	\$5,266,848	22.15
Group Life Insurance							
Expenditures	\$2,218,528	\$2,533,499	\$2,544,561	\$2,294,417	\$2,360,562	(\$183,999)	(7.23)
Reimbursements	(679,930)	(686,146)	(693,312)	(890,005)	(912,255)	(218,943)	31.58
Net Cost	\$1,538,598	\$1,847,353	\$1,851,249	\$1,404,412	\$1,448,307	(\$402,942)	(21.77)
FICA							
Expenditures	\$32,002,043	\$35,993,977	\$35,891,455	\$37,047,358	\$38,640,465	\$2,749,010	7.66
Reimbursements	(7,996,729)	(8,387,676)	(8,479,044)	(8,370,539)	(9,845,767)	(1,366,723)	16.12
Net Cost	\$24,005,314	\$27,606,301	\$27,412,411	\$28,676,819	\$28,794,698	\$1,382,287	5.04
Supplemental Retirement							
Expenditures	\$17,826,744	\$19,183,832	\$19,074,249	\$20,552,434	\$21,056,998	\$1,982,749	10.39
Reimbursements	(6,022,954)	(6,345,952)	(6,418,091)	(6,123,949)	(6,277,046)	141,045	(2.20)
Net Cost	\$11,803,790	\$12,837,880	\$12,656,158	\$14,428,485	\$14,779,952	\$2,123,794	16.78
Uniformed Retirement							
Expenditures	\$15,645,846	\$16,139,264	\$15,979,048	\$16,017,920	\$17,549,955	\$1,570,907	9.83
Police Retirement							
Expenditures	\$10,685,734	\$11,270,782	\$11,049,883	\$11,724,559	\$15,120,290	\$4,070,407	36.84
Net Cost	\$10,685,734	\$11,270,782	\$11,049,883	\$11,724,559	\$15,120,290	\$4,070,407	36.84
Virginia Retirement System							
Expenditures	\$993,498	\$1,047,181	\$1,047,181	\$1,020,345	\$1,045,854	(\$1,327)	(0.13)
Unemployment Compensation							
Expenditures	\$179,645	\$186,744	\$186,744	\$306,076	\$313,728	\$126,984	68.00
Miscellaneous Reimbursements							
Expenditures	(\$2,565)	\$0	\$0	\$0	\$0	\$0	-
Capital Project Reimbursements							
Expenditures	(\$957,251)	(\$1,113,529)	(\$1,113,529)	(\$1,004,639)	(\$1,029,753)	\$83,776	(7.52)
Fringe Benefit Expenditures							
Expenditures	\$105,602,372	\$116,092,355	\$114,376,311	\$123,314,834	\$130,569,969	\$16,193,658	14.16
Fringe Benefit Reimbursements							
Reimbursements	(\$20,052,419)	(\$21,307,773)	(\$21,532,252)	(\$21,829,487)	(\$23,505,176)	(\$1,972,924)	9.16
General Fund Fringe Benefits	\$85,549,953	\$94,784,582	\$92,844,059	\$101,485,347	\$107,064,793	\$14,220,734	15.32

EMPLOYEE BENEFITS

BENEFIT CATEGORY	FY 1999 Actual	FY 2000 Adopted	FY 2000 Revised	FY 2001 Advertised	FY 2001 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
Personnel Services							
Training - Sign Language Instructor	\$11,653	\$13,000	\$13,000	\$13,000	\$13,000	\$0	0.00
Total Personnel Services	\$105,614,025	\$116,105,355	\$114,389,311	\$123,327,834	\$130,582,969	\$16,193,658	14.16
Operating Expenses							
Medical Exam Unit (MEU)	\$953,568	\$0	\$0	\$0	\$0	\$0	-
Tuition/Training	1,226,925	2,370,036	2,822,826	3,327,190	3,327,190	504,364	17.87
Other Operating	17,390	29,910	19,910	31,534	156,534	136,624	686.21
Worker's Compensation	5,513,556	5,513,556	5,513,556	5,513,556	5,513,556	0	0.00
Employee Assistance Program	262,042	272,526	316,200	269,512	269,512	(46,688)	(14.77)
Total Operating Expenses	\$7,973,481	\$8,186,028	\$8,672,492	\$9,141,792	\$9,266,792	\$594,300	6.85
Capital Equipment							
Medical Exam Unit	\$33,754	\$0	\$0	\$0	\$0	\$0	-
County-wide Task Forces	0	0	11,116	0	0	(11,116)	-
Total Capital Equipment	\$33,754	\$0	\$11,116	\$0	\$0	(\$11,116)	-
TOTAL EXPENDITURES	\$113,621,260	\$124,291,383	\$123,072,919	\$132,469,626	\$139,849,761	\$16,776,842	13.63
TOTAL REIMBURSEMENTS	(\$20,052,419)	(\$21,307,773)	(\$21,532,252)	(\$21,829,487)	(\$23,505,176)	(\$1,972,924)	9.16
NET COST TO THE COUNTY	\$93,568,841	\$102,983,610	\$101,540,667	\$110,640,139	\$116,344,585	\$14,803,918	14.58

EMPLOYEE BENEFITS

Cost Center: Employee Benefits¹

GOAL: To provide centralized budgeting and financial control over employee fringe benefits paid by the County.

SUMMARY BY COST CENTER					
Cost Center	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Expenditures:					
Employer Share of FICA	\$32,002,043	\$35,993,977	\$35,891,455	\$37,047,358	\$38,640,465
County Supplemental Retirement	17,826,744	19,183,832	19,074,249	20,552,434	21,056,998
Virginia Retirement System (VRS)	993,498	1,047,181	1,047,181	1,020,345	1,045,854
Uniformed Retirement	15,645,846	16,139,264	15,979,048	16,017,920	17,549,955
Police Retirement	10,685,734	11,270,782	11,049,883	11,724,559	15,120,290
Group Health Insurance	26,050,334	29,737,076	28,603,190	34,351,725	34,482,117
Group Life Insurance	2,218,528	2,533,499	2,544,561	2,294,417	2,360,562
Unemployment Compensation	179,645	186,744	186,744	306,076	313,728
Fringe Benefits	\$105,602,372	\$116,092,355	\$114,376,311	\$123,314,834	\$130,569,969
MEU	\$953,568	\$0	\$0	\$0	\$0
Worker's Compensation Insurance	5,513,556	5,513,556	5,513,556	5,513,556	5,513,556
Employee Assistance Program	262,042	272,526	316,200	269,512	269,512
Operating Expenses	\$6,729,166	\$5,786,082	\$5,829,756	\$5,783,068	\$5,783,068
Capital Equipment					
MEU	\$33,754	\$0	\$0	\$0	\$0
County-wide Task Forces	0	0	11,116	0	0
Total Expenditures	\$112,365,292	\$121,878,437	\$120,217,183	\$129,097,902	\$136,353,037
Less:					
Fringe Benefit Reimbursements	(20,052,419)	(21,307,773)	(21,532,252)	(21,829,487)	(23,505,176)
Net Cost to the County	\$92,312,873	\$100,570,664	\$98,684,931	\$107,268,415	\$112,847,861

¹ It should be noted that even though most fringe benefits are budgeted in Agency 89, Employee Benefits primary responsibility for administering these benefits is managed by the Department of Human Resources, the Retirement Administration Agency, and the Risk Management Division. For more information regarding the objectives, goals and performance indicators related to the functioning of the individual programs please refer to the individual agencies/funds.

EMPLOYEE BENEFITS

Cost Center: Training and Conferences

GOAL: To provide centralized accounts of the expenditures of funds for training and travel.

COST CENTER SUMMARY					
Category	FY 1999 Actual	FY 2000 Adopted Budget Plan	FY 2000 Revised Budget Plan	FY 2001 Advertised Budget Plan	FY 2001 Adopted Budget Plan
Personnel Services	\$11,653	\$13,000	\$13,000	\$13,000	\$13,000
Operating Expenses	1,244,315	2,399,946	2,842,736	3,358,724	3,483,724
Capital Equipment	0	0	0	0	0
Total Expenditures	\$1,255,968	\$2,412,946	\$2,855,736	\$3,371,724	\$3,496,724