

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 two health insurance alternatives, with the intent of offering employees the best available options. The first is a self-insured alternative including point of service and preferred provider options. The second alternative includes vendor-administered Health Maintenance Organizations (HMOs).

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 2005 Adopted Budget Plan](#).

▪ **Group Life Insurance**

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)**

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.

Employee Benefits

- **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.

- **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.

- **Training**

General training centrally managed by the Department of Human Resources and the Language Coordinator 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 communications, supervisory development, team building and career development.

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.

- **Workers Compensation**

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 2005 Adopted Budget Plan.

- **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 Employee's 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 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Expenditures:					
Fringe Benefits					
Expenditures	\$157,083,598	\$164,591,320	\$167,496,204	\$194,322,130	\$194,573,115
Reimbursements	(29,117,580)	(29,974,665)	(29,974,665)	(33,943,393)	(33,943,393)
Net General Fund Fringe Benefits	\$127,966,018	\$134,616,655	\$137,521,539	\$160,378,737	\$160,629,722
Personnel Services	\$0	\$0	\$0	\$0	\$0
Operating Expenses ¹	9,135,040	7,406,536	8,215,582	7,991,540	7,991,540
Capital Equipment	0	0	0	0	0
Total Expenditures	\$137,101,058	\$142,023,191	\$145,737,121	\$168,370,277	\$168,621,262

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

FY 2005 Funding Adjustments

The following funding adjustments from the FY 2004 Revised Budget Plan are necessary to support the FY 2005 program:

- ◆ **Group Health Insurance** **\$7,770,482**
 Health Insurance premiums total \$53,430,651, an increase of \$7,770,482, or 17.0 percent, over the FY 2004 Revised Budget Plan. The increase includes \$7,533,056 based on a projected premium increase of 25.0 percent for the self-insured plan and an average increase of 21.0 percent for the HMOs, effective January 1, 2005 and \$237,426 based on adjustments to reflect the inclusion of new positions. It should be noted that the primary factors for the premium increase are escalating cost growth, increased utilization and the rising costs of prescription drugs.
- ◆ **Group Life Insurance** **\$161,744**
 Life Insurance premiums total \$2,524,268, an increase of \$161,744, or 6.9 percent, over the FY 2004 Revised Budget Plan. The increase includes \$97,327 associated with salary adjustments necessary to support the County's compensation program, \$41,240 based on the FY 2005 Market Index of 2.98 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2005, \$7,810 based on the regrade of Fire Technician, Master Technician and Lieutenant classes to provide for market competitiveness, and \$15,367 to reflect the inclusion of new positions.
- ◆ **Social Security (FICA)** **\$2,052,692**
 Social Security contributions total \$36,997,029, an increase of \$2,052,692, or 5.9 percent, over the FY 2004 Revised Budget Plan. The increase includes \$1,414,710 associated with salary adjustments necessary to support the County's compensation program and to reflect the change in the federally set maximum pay base against which contributions are calculated, \$341,262 based on the FY 2005 Market Index of 2.98 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2005, \$99,575 based on the regrade of Fire Technician, Master Technician and Lieutenant classes to provide for market competitiveness, and \$197,145 to reflect the inclusion of new positions.

Note: The Social Security wage base increases from \$87,000 to \$87,900 as of January 1, 2004 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, 2005 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 2005.

Employee Benefits

◆ **Retirement (Fairfax County Employees', Uniformed, Police) \$12,818,194**

FY 2005 Employer contributions to the retirement systems total \$67,118,042, an increase of \$12,818,194, or 23.6 percent, over the *FY 2004 Revised Budget Plan*. The increase includes \$2,418,227 associated with salary adjustments necessary to support the County's compensation program, \$1,481,512 based on the FY 2005 Market Index of 2.98 percent included for employees on the public safety pay scales (C, F, O and P), effective the first full pay period of FY 2005, \$316,297 based on the regrade of Fire Technician, Master Technician and Lieutenant classes to provide for market competitiveness, \$355,779 to reflect the inclusion of new positions and \$8,246,379 based on projected increases in the Employer Contribution rates (see table below for further details).

The increase in rates for FY 2005 follows the current effective actuarial funding policy whereby contribution rates are adjusted only to fund approved benefit enhancements and/or to recognize funding adjustments required when the funding ratio falls below 90 percent or rises above 120 percent.

Increases associated with the Corridor

- As a result of the June 30, 2003 actuarial valuation, based on the investment returns experienced by the fund and actuarial losses related to liabilities, the funding ratio for the Employees' system falls below the 90 percent threshold, the final funding ratio is 85.0 percent. The employer contribution rate for the Employees system is required to increase 1.95 percentage points based on the final funding ratio. While investment results also decreased the funding ratio in Police Officers and Uniformed, the two systems remain within the corridor at 91.9 percent and 93.8 percent respectively, with no increase in the contribution rate.

Increases associated with Benefit Enhancements

- The Police and Uniformed System employer contribution rates will both increase based on the Deferred Retirement Option Program (DROP) and the 12 percent benefit enhancement for Uniformed Retirees approved as part of the FY 2004 Adopted Budget Plan.

The following table shows the FY 2004 contribution rates and projected rates for FY 2005. 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 2004 Rates (%)	FY 2005 Rates (%)	Percentage Point Increase (%)	Reason for Increase	General Fund Impact
Employees'	6.13	8.08	1.95	Required funding adjustment based on funding ratio below approved 90% level	\$5,115,172
Uniformed	21.90	24.30	2.40	Adjustment based on implementation of DROP (\$830,308) & 12% Benefit Enhancement (\$2,014,463)	\$2,844,771
Police	17.62	17.96	0.34	Adjustment based on implementation of DROP	\$286,436
Total					\$8,246,379

Employee Benefits

◆ **Virginia Retirement System (VRS) \$185,169**

Virginia Retirement System contributions total \$987,257, an increase of \$185,169, or 23.1 percent, over the *FY 2004 Revised Budget Plan*. The increase includes \$28,679 associated with salary adjustments necessary to support the County's compensation program, and \$156,490 based on a projected 0.14 percentage point increase in the Employer Contribution rate from 3.77 percent to 3.91 percent and required contributions to the Virginia Sickness and Disability program on behalf of the employees covered by VRS.

Note: The number of employees covered by VRS has been reduced from 233 in FY 1996 at the program's inception to 140 in FY 2005.

◆ **Capital Projects Reimbursements (\$136,496)**

Capital Projects Reimbursements total \$1,186,496, an increase of \$136,496, or 13.0 percent, over the *FY 2004 Revised Budget Plan*. The increase is associated with salary adjustments necessary to support the County's compensation program for those employees who charge a portion of their time to capital projects.

◆ **Training (\$336,984)**

General County Training funding totals \$1,239,542, a decrease of \$336,984, or 21.4 percent, from the *FY 2004 Revised Budget Plan*. The decrease is due to one-time encumbered carryover at the *FY 2003 Carryover Review*. It should be noted that funding for training is maintained at the FY 2004 Adopted Budget Plan level.

Total FY 2005 training funding includes the following:

- \$332,892 for General County Training Programs including supervisory development, leadership development, language skills training and communication skill building (written, oral and interpersonal).
- \$426,650 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.
- \$95,000 is included to continue funding for Microsoft Outlook training for new employees and to provide refresher courses as needed.
- \$175,000 is included to continue funding information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes.
- \$200,000 is included for Tuition Assistance Program (TAP) reimbursements for approximately 272 employees.
- \$10,000 is included for Language Tuition Assistance Program (LTAP) reimbursements for approximately 30 employees.

◆ **Worker's Compensation \$574,565**

Worker's Compensation premiums total \$6,413,588, an increase of \$574,565, or 9.8 percent, over the *FY 2004 Revised Budget Plan*. The increase is based on required increases in Worker's Compensation due to the expected settlement of several high-value liability claims that arose in FY 2002 and FY 2003. It should be noted that the County utilizes self-insurance to cover Worker's Compensation risk, meaning the County is the insurer, therefore any higher than anticipated claims payments must be covered through premium increases.

Employee Benefits

- ◆ **Other Benefits** **\$15,852**
A net increase of \$15,852 over the *FY 2004 Revised Budget Plan* reflects the required contributions for Unemployment Compensation, contributions to the Employees' Advisory Council and projected contractual increases for the Employee Assistance Program.

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

- ◆ **Market Adjustments** **\$1,864,014**
A net increase of \$1,864,014 in Fringe Benefits based on the FY 2005 Market Index of 2.98 percent is included for employees on the public safety pay scales (C,F, O and P), effective the first full pay period of FY 2005. This adjustment impacts Life Insurance premiums, Social Security contributions and employer contributions to the Uniformed and Police Retirement systems.
- ◆ **Class Regrades** **\$423,682**
An increase of \$423,682 in Fringe Benefits based on the regrade of Fire Technician, Master Technician and Lieutenant classes to provide for market competitiveness. This adjustment impacts Life Insurance premiums, Social Security contributions and employer contributions to the Uniformed Retirement system.
- ◆ **New Positions** **\$805,717**
An increase of \$805,717 in Fringe Benefits based on funding for new positions based on the opening of new facilities including: Agency 92, Fire and Rescue – 23/23.0 SYE new positions for Fairfax Center Fire Station; Agency 91, Office of the Sheriff – Funding for 10/10.0 SYE new Deputies as part of the third year of the planned phase-in of new positions; Agency 67, Department of Family Services – 6/4.43 SYE new positions for SACC rooms at Navy and Sunrise Valley Elementary Schools; Agency 67/50, Department of Family Services and Community and Recreation Services – Full-year funding for 6/6.0 SYE new positions for James Lee Community Center; Agency 50, Community and Recreation Services – 5/5.0 SYE new positions for Herndon Harbor House.

Board of Supervisors' Adjustments

The following funding adjustments reflect all changes to the FY 2005 Advertised Budget Plan, as approved by the Board of Supervisors on April 26, 2004:

- ◆ **Fringe Benefit Adjustments** **\$250,985**
A net increase of \$250,985 in Fringe Benefits associated with position adjustments including the addition of positions associated with the implementation of the EMS transport fee.
- ◆ **Application of Market Rate Adjustment to More Classes (Fire & Rescue – Uniformed Personnel)** **\$0**
No FY 2005 net cost impact by replacing the County Executive's recommended 2.98 percent Market Rate Adjustment for all uniformed personnel and regrades for only 3 classes in the Fire and Rescue Department (combined total of \$5.5 million) with phased adjustments applying to all uniformed Fire and Rescue classes as follows: first full pay period in July - 2.5 percent adjustment; the first full pay period in January – additional 2.5 percent adjustment; and the first full pay period in April – additional 2.25 percent adjustment. Note: The market rate adjustment for all other employees on the public safety pay scales remains 2.98 percent effective the first full pay period of FY 2005.

Employee Benefits

Changes to FY 2004 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2004 Revised Budget Plan since passage of the FY 2004 Adopted Budget Plan. Included are all adjustments made as part of the FY 2003 Carryover Review and all other approved changes through December 31, 2003:

- ◆ **Carryover Adjustments** **\$3,241,868**
As part of the *FY 2003 Carryover Review*, the Board of Supervisors approved a net increase of \$3,241,868 including a reduction of \$14,901 in FICA requirements, encumbered carryover of \$336,984 in Operating Expenses and an increase of \$2,919,785 for the General Fund Employer Contribution for health insurance. The increase in the contribution for health insurance includes: \$2,561,665 for anticipated HMO premium increases and contractual requirements and \$358,120 to maintain the balance in the self-insured health insurance plan at the industry standard relating to the balance as a percent of claims.

The following funding adjustments reflect all approved changes to the FY 2004 Revised Budget Plan from January 1, 2004 through April 19, 2004. Included are all adjustments made as part of the FY 2004 Third Quarter Review:

- ◆ **Third Quarter Adjustments** **\$472,062**
Funding of \$472,062 is required to meet anticipated increases in Workers' Compensation primarily because of prior year claims involving injuries sustained by employees while on duty partially offset by savings resulting from the successful litigation and resolution of two potentially costly automobile liability claims. The increase in Agency 89, Employee Benefits, will fund the required increased contribution to Fund 501, County Insurance.

Employee Benefits

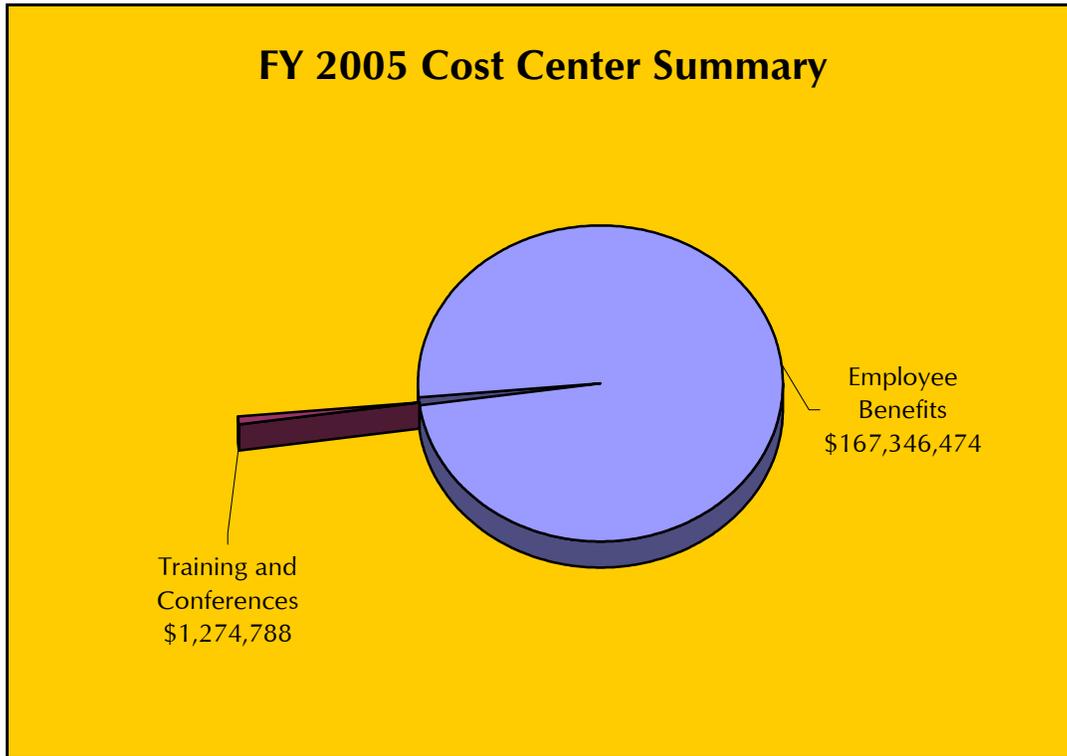
The following chart summarizes Employee Benefit costs and associated reimbursements from Non-General Fund agencies and from capital projects.

Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2003 Actual	FY 2004 Adopted	FY 2004 Revised	FY 2005 Advertised	FY 2005 Adopted	Amount Inc/(Dec)	Percent Inc/(Dec)
Fringe Benefits							
Group Health Insurance							
Expenditures	\$49,448,893	\$50,034,857	\$52,954,642	\$61,725,214	\$61,725,214	\$8,770,572	16.56%
Reimbursements	(7,165,326)	(7,294,473)	(7,294,473)	(8,294,563)	(8,294,563)	(1,000,090)	13.71%
Net Cost	\$42,283,567	\$42,740,384	\$45,660,169	\$53,430,651	\$53,430,651	\$7,770,482	17.02%
Group Life Insurance							
Expenditures	\$2,614,224	\$2,907,133	\$2,907,133	\$3,080,814	\$3,080,814	\$173,681	5.97%
Reimbursements	(897,620)	(544,609)	(544,609)	(556,546)	(556,546)	(11,937)	2.19%
Net Cost	\$1,716,604	\$2,362,524	\$2,362,524	\$2,524,268	\$2,524,268	\$161,744	6.85%
FICA							
Expenditures	\$44,471,433	\$46,455,681	\$46,440,780	\$48,608,400	\$48,859,385	\$2,418,605	5.21%
Reimbursements	(11,316,029)	(11,496,443)	(11,496,443)	(11,611,371)	(11,611,371)	(114,928)	1.00%
Net Cost	\$33,155,404	\$34,959,238	\$34,944,337	\$36,997,029	\$37,248,014	\$2,303,677	6.59%
Fairfax County Employees' Retirement							
Expenditures	\$23,460,626	\$24,488,589	\$24,488,589	\$33,506,748	\$33,506,748	\$9,018,159	36.83%
Reimbursements	(8,522,160)	(9,589,140)	(9,589,140)	(12,294,417)	(12,294,417)	(2,705,277)	28.21%
Net Cost	\$14,938,466	\$14,899,449	\$14,899,449	\$21,212,331	\$21,212,331	\$6,312,882	42.37%
Uniformed Retirement	\$23,027,237	\$24,655,501	\$24,655,501	\$30,240,540	\$30,240,540	\$5,585,039	22.65%
Police Retirement	\$12,923,806	\$14,744,898	\$14,744,898	\$15,665,171	\$15,665,171	\$920,273	6.24%
Virginia Retirement System	\$658,939	\$802,088	\$802,088	\$987,257	\$987,257	\$185,169	23.09%
Unemployment Compensation							
	\$478,440	\$502,573	\$502,573	\$507,986	\$507,986	\$5,413	1.08%
Capital Project Reimbursements							
	(\$1,216,445)	(\$1,050,000)	(\$1,050,000)	(\$1,186,496)	(\$1,186,496)	(\$136,496)	13.00%
Fringe Benefit Expenditures	\$157,083,598	\$164,591,320	\$167,496,204	\$194,322,130	\$194,573,115	\$27,076,911	16.17%
Fringe Benefit Reimbursements							
	(\$29,117,580)	(\$29,974,665)	(\$29,974,665)	(\$33,943,393)	(\$33,943,393)	(\$3,968,728)	13.24%
General Fund Fringe Benefits	\$127,966,018	\$134,616,655	\$137,521,539	\$160,378,737	\$160,629,722	\$23,108,183	16.80%
Operating Expenses							
Tuition/Training	\$1,262,093	\$1,239,542	\$1,576,526	\$1,239,542	\$1,239,542	(\$336,984)	-21.38%
Other Operating	30,028	36,467	36,467	35,246	35,246	(1,221)	-3.35%
Worker's Compensation	7,571,979	5,839,023	6,311,085	6,413,588	6,413,588	102,503	1.62%
Employee Assistance Program	270,940	291,504	291,504	303,164	303,164	11,660	4.00%
Total Operating Expenses	\$9,135,040	\$7,406,536	\$8,215,582	\$7,991,540	\$7,991,540	(\$224,042)	-2.73%
TOTAL EXPENDITURES	\$166,218,638	\$171,997,856	\$175,711,786	\$202,313,670	\$202,564,655	\$26,852,869	15.28%
TOTAL REIMBURSEMENTS	(\$29,117,580)	(\$29,974,665)	(\$29,974,665)	(\$33,943,393)	(\$33,943,393)	(\$3,968,728)	13.24%
NET COST TO THE COUNTY	\$137,101,058	\$142,023,191	\$145,737,121	\$168,370,277	\$168,621,262	\$22,884,141	15.70%

Employee Benefits

Cost Centers



Employee Benefits¹

Funding Summary					
Cost Center	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Total Expenditures	\$164,926,517	\$170,721,847	\$174,098,793	\$201,038,882	\$201,289,867
Less:					
Fringe Benefit					
Reimbursements	(\$29,117,580)	(\$29,974,665)	(\$29,974,665)	(\$33,943,393)	(\$33,943,393)
Net Cost to the County	\$135,808,937	\$140,747,182	\$144,124,128	\$167,095,489	\$167,346,474

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.

Training and Conferences¹

Funding Summary					
Category	FY 2003 Actual	FY 2004 Adopted Budget Plan	FY 2004 Revised Budget Plan	FY 2005 Advertised Budget Plan	FY 2005 Adopted Budget Plan
Total Expenditures	\$1,292,121	\$1,276,009	\$1,612,993	\$1,274,788	\$1,274,788

¹ It should be noted that the Training and Conferences cost center includes tuition/training expenses, other operating expenses and capital equipment.