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 employee fringe benefits paid for all County employees of General Fund agencies.

- **Group Health Insurance**

  Fairfax County Government offers its employees and retirees several health insurance alternatives, with the intent of offering options that are both comprehensive and cost effective. Self-insured options include an open access plan (OAP) featuring a national network of providers with three levels of coverage. One level of coverage features a co-pay structure for office visits and other services, while two levels of coverage feature co-insurance and modest deductibles. In addition, a fully-insured health maintenance organization (HMO) is available, featuring care centers located in communities throughout the area with a co-pay structure for office visits and other services.

  All of the County's health insurance plans include self-insured vision benefits and offer eligible preventive care services on a zero-cost basis. In addition, the County offers a disease management program to detect chronic conditions early and provide assistance to those affected to help manage their diseases, resulting in healthier outcomes. In CY 2014, the County's self-insured health insurance plans were consolidated under one network provider to control costs, improve analytical capabilities, and provide a high quality of care with an emphasis on wellness, prevention and better management of chronic conditions.

  As the health care environment is in the midst of significant reform, staff is monitoring changes in the health plan market, incorporating required changes in the County's plans and processes, and examining the overall impact of reform on the County's benefits package with the goal of continuing to provide cost-effective and comprehensive health care coverage to employees and retirees within the parameters of the new health care laws.

  It should be noted that the self-insured health insurance plans are administered through Fund 60040, Health Benefits. For a more detailed discussion of the County's self-insured health fund, refer to Fund 60040 in Volume 2 of the FY 2016 Adopted 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 current contract for the dental insurance plan became effective January 1, 2012, and is a two-tiered dental insurance preferred provider organization (PPO) plan. The plan includes the provision of a 50 percent employer contribution for all eligible active employees who elect dental coverage.

- **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. The current contract for group life insurance became effective January 1, 2013.

- **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 contribution to the three retirement systems as set by employer contribution rates. A corridor approach has been used to set employer contribution rates since it was adopted by the Board of Supervisors in FY 2002. The corridor approach was designed by the County's actuaries to set annual contributions at the level necessary to maintain strong funding ratios in each of the plans while reducing the volatility in the employer contribution rates that is typical for plans that are near fully-funded. 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. If the funding ratio falls below 90 percent, the unfunded actuarial accrued liability below 90 percent is amortized over a conservative 15-year period, and this amount is included in the annual employer contribution for each fund.

  The corridor approach cushioned the County from dramatic rate increases while maintaining strong funding ratios for several years. However, the global financial crisis during FY 2009 resulted in significant losses in the value of the invested assets of all three retirement systems. Because only 90 percent of the unfunded liability was amortized and included in the employer contribution under the corridor approach, the funding ratios have improved, but at a slower pace than desired. As a result, the County has taken multiple steps, including increasing contribution levels and limiting increases in liabilities, to improve the financial position of the retirement systems. These changes have included adopting modifications to the retirement systems for new employees hired on or after January 1, 2013, tightening the requirements regarding the award of ad-hoc Cost-of-Living Adjustments (COLAs), and increasing contribution rates by adjusting the amortization level of the unfunded liability from 90 percent to 93 percent.

  The County is committed to further strengthening the financial position of the systems, and has established a goal to reach a 90 percent funded status for all plans by FY 2025. In order to meet this goal, the County has established the following multi-year strategy:

  - In FY 2016, the employer contribution rates will be increased to adjust the amortization level of the unfunded liability from 93 percent to 95 percent.

- Increases in the employer contribution rates will continue so that the County will amortize 100 percent of the unfunded liability by FY 2020 at the latest, fully funding the Annual Required Contribution for all systems. The County will continue to use a conservative 15-year amortization period.

- Until each system reaches 100 percent funded status, employer contributions to that system will not be reduced. Various factors, such as the historical trend of the County's investment returns exceeding the assumed rate of 7.5 percent, could allow employer contribution rates to be reduced from current levels. However, the County is committed to maintaining the rates and redirecting any potential savings into further improvement in the systems' funded positions.

- Any additional unfunded liability created as a result of approved benefit enhancements, such as ad-hoc COLAs, will be fully funded. It is the intent that no adjustments to benefit levels will reduce the funded status of any of the systems.

For a more detailed discussion of the County's retirement systems and its retirement funding policy, refer to the Employee Retirement Systems Overview in Volume 2 of the FY 2016 Adopted 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 required employer contributions paid by the County to VRS for retirement benefits provided to the converted employees. It should be noted that as these employees 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 73030, OPEB Trust, in Volume 2 of the FY 2016 Adopted Budget Plan. Second, the County began allowing converted employees to use accrued sick leave to purchase additional service credit in VRS upon retirement. Thus, funding for VRS also includes these County payments made on behalf of the employees.

♦ **Line of Duty**

The Line of Duty Act provides benefits to employees and volunteers of state and local governments who serve in hazardous duty positions. The Act provides for health insurance coverage and a death benefit payment for service-connected death or disability. Prior to FY 2011, the state administered and funded the program. Beginning in FY 2011, the costs of the program were passed on to localities, although the state continues to administer the program.

♦ **Flexible Spending Accounts**

Health and Dependent Care Flexible Spending Accounts are funded through voluntary employee contributions. Funding in Agency 89 reflects the expense of administering Flexible Spending Accounts through a contract with an outside vendor.

- **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 of General Fund agencies who charge a portion of their time to capital projects.

- **Employee Assistance Program (EAP)**
  Provision of EAP services, including assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise, is provided through a contract with an outside vendor.

- **Employee Awards Program**
  Employees that are recognized with Outstanding Performance, Team Excellence, and Managerial Excellence Awards receive a net $300 cash award, a certificate, a special coffee mug, and one day of administrative leave.

- **Employee Development**
  General training centrally managed by the Organizational Development and Training Division includes all FOCUS training as well as courses related to the Employee Development and Learning Program. The foundation for the program is the Countywide Competency Map for Employee Development, which identifies competencies that promote leadership and learning for the entire County workforce. This map aligns training with required on-the-job skillsets at all levels of the organization. Developmental programs include offerings that build performance capacity in areas ranging from customer service and effective communication skills to conflict resolution and project management. Programs also focus on enhancing succession planning and management by developing current high-performing employees through training and mentoring opportunities.

  Technology-related training is offered in recognition of the challenges associated with maintaining skills at the same pace as technology changes. As the County's workforce increasingly leverages information technology, training support has become more essential.

  Additionally, in support of providing employees multiple venues for self-development, the County funds the employee tuition assistance (TAP) and language tuition assistance (LTAP) programs.

Budget and Staff Resources

Category	FY 2014 Actual	FY 2015 Adopted	FY 2015 Revised	FY 2016 Advertised	FY 2016 Adopted
FUNDING					
Expenditures:					
Fringe Benefits	$286,808,294	$314,009,976	$311,678,767	$338,061,388	$338,338,526
Operating Expenses	818,084	1,387,850	1,709,616	1,387,850	1,387,850
Total Expenditures	$287,626,378	$315,397,826	$313,388,383	$339,449,238	$339,726,376

FY 2016 Funding Adjustments

The following funding adjustments from the FY 2015 Adopted Budget Plan are spread across the fringe benefit categories detailed below. Included are all adjustments recommended by the County Executive that were approved by the Board of Supervisors, as well as any additional Board of Supervisors' actions, as approved in the adoption of the budget on April 28, 2015. They are reported in summary here for clarification purposes:

- **New Positions** **$2,611,718**

  An increase of $2,611,718 in Fringe Benefits based on funding for new positions includes the following adjustments. In some cases, funding is required for the full-year impact of positions added in FY 2015 or to fund previously vacant positions and is not associated with new FY 2016 positions. New positions funded by non-General Fund sources are not included in the list below.

  - Agency 15, Office of Elections – $46,062 and 2/2.0 FTE new positions to support voter registration and candidate services and to provide finance and budget support.

  - Land Development Process – $943,895 to support 27/27.0 FTE positions that were created in FY 2015 in Agency 26, Office of Capital Facilities, Agency 31, Land Development Services, Agency 35, Department of Planning and Zoning, Agency 40, Department of Transportation, Agency 71, Health Department, and Agency 92, Fire and Rescue Department. This additional staff will support the plan review, permits and inspection process and is funded through increased Land Development Services and Fire Prevention Division (Fire Marshal) fees for plan review, permits, and inspection services that were approved by the Board of Supervisors on December 2, 2014.

  - Domestic Violence Action Center – $62,705 to support 3/2.5 FTE positions in Agency 67, Department of Family Services, and Agency 82, Office of the Commonwealth's Attorney. These positions support the Domestic Violence Action Center, which provides information and support services for victims of domestic violence and stalking, as well as promotes the accountability of offenders through specialized prosecution and offender supervision. These positions were previously grant funded. However, current grant funding does not support these positions.

  - Agency 67, Department of Family Services– $19,173 to expand school readiness activities in support of community programs serving young children; $543,637 and 20/20.0 FTE new positions, as well as $192,554 to support existing positions, to address increasing public assistance caseloads in the Self Sufficiency division; and $12,071 to support the opening of a second School-Age Child Care (SACC) room at Terraset Elementary School.

  - Agency 71, Health Department – $89,595 and 4/3.28 FTE new positions to support the assignment of a School Health Aide and a Public Health Nurse to two new Fairfax County elementary schools.

  - Agency 79, Department of Neighborhood and Community Services – $80,329 to support full-year funding for staff at the new Providence Community Center.

  - Agency 81, Juvenile and Domestic Relations District Court (JDRC) – $78,000 to support 3/3.0 FTE existing but previously vacant Probation Officer positions to allow the JDRC to utilize 11 beds of available space for District of Columbia youth awaiting placement in a treatment facility or group home.

- Agency 85, General District Court – $59,499 and 2/2.0 FTE new positions to support the establishment of the Fairfax County Veterans Treatment Docket.

- Agency 90, Police Department – $87,802 to support 2/2.0 FTE positions for the Northern Virginia Regional Gang Task Force, a multi-discipline and multi-jurisdictional partnership to impact gang activity in Northern Virginia. The grant that previously funded these positions has expired.

- Agency 92, Fire and Rescue Department – $396,396 to support partial year costs associated with 31/31.0 FTE positions currently being funded by two Staffing for Adequate Fire and Emergency Response (SAFER) grants which will expire in FY 2016.

♦ **Employee Compensation** **$7,829,828**
An increase of $7,829,828 in Personnel Services includes $2,819,731 for a 1.10 percent market rate adjustment (MRA) for all employees and $2,650,934 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2015, as well as $2,359,163 for FY 2016 merit and longevity increases (including the full-year impact of FY 2015 increases) for uniformed employees awarded on the employees' anniversary dates.

The following funding adjustments from the FY 2015 Adopted Budget Plan are necessary to support the FY 2016 program:

♦ **Group Health Insurance** **$9,976,953**
Health Insurance premiums total $103,546,666, an increase of $9,976,953, or 10.7 percent, over the FY 2015 Adopted Budget Plan. An increase of $4,917,598 reflects the impact of projected premium increases of 10.0 percent for all health insurance plans, effective January 1, 2016. An increase of $724,933 is based on adjustments to reflect the inclusion of new positions, and an additional increase of $4,783,261 is based on the full-year impact of January 2015 premium adjustments and year-to-date FY 2015 experience. These increases are partially offset by a decrease of $448,839 as a result of anticipated plan design changes and lower-cost plan alternatives that will be implemented for the plan year beginning in 2016.

♦ **Dental Insurance** **$294,272**
Dental Insurance premiums total $4,091,256, an increase of $294,272, or 7.8 percent, over the FY 2015 Adopted Budget Plan. An increase of $99,050 reflects the impact of projected premium increases of 5.0 percent, effective January 1, 2016. An increase of $30,206 is based on adjustments to reflect the inclusion of new positions, and an additional increase of $165,016 is based on the full-year impact of January 2015 premium adjustments and year-to-date FY 2015 experience.

♦ **Group Life Insurance** **$55,008**
Life Insurance premiums total $1,446,416, an increase of $55,008, or 4.0 percent, over the FY 2015 Adopted Budget Plan. An increase of $34,781 reflects the impact of projected premium increases of 5.0 percent, effective January 1, 2016. An additional increase of $20,411 is based on adjustments to reflect the inclusion of new positions. These increases are partially offset by a decrease of $184 that is attributable to anticipated savings based on year-to-date FY 2015 experience.

- **Social Security (FICA) $229,769**

Social Security contributions total $48,561,924, an increase of $229,769, or 0.5 percent, over the FY 2015 Adopted Budget Plan. An increase of $579,947 is based on adjustments to reflect the inclusion of new positions. An increase of $1,754,928 for employee compensation includes $629,344 for a 1.10 percent market rate adjustment (MRA) for all employees and $684,175 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2015, as well as $441,409 for FY 2016 merit and longevity increases (including the full-year impact of FY 2015 increases) for uniformed employees awarded on the employees' anniversary dates. These increases are partially offset by a decrease of $2,105,106 that is attributable to anticipated savings based on year-to-date FY 2015 experience.

Note: The Social Security wage base has increased to $118,500 as of January 1, 2015 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 remained unchanged at 7.65 percent. The wage base and/or rate change for January 1, 2016 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 2016.

- **Retirement (Fairfax County Employees', Uniformed, Police Officers) $13,672,903**

FY 2015 employer contributions to the retirement systems total $178,787,873, an increase of $13,672,903, or 8.3 percent, over the FY 2015 Adopted Budget Plan. An increase of $8,573,559 is based on projected increases in the employer contribution rates, including an increase of $10,171,609 due to a change in the amortization schedule to increase the amortization level from 93 percent to 95 percent, partially offset by a decrease of $1,598,050 due to valuation results based on FY 2014 experience *(see discussion below for further details)*. An increase of $1,256,221 is based on adjustments to reflect the inclusion of new positions. An increase of $6,074,900 for employee compensation includes $2,190,387 for a 1.10 percent market rate adjustment (MRA) for all employees and $1,966,759 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2015, as well as $1,917,754 for FY 2016 merit and longevity increases (including the full-year impact of FY 2015 increases) for uniformed employees awarded on the employees' anniversary dates. These increases are partially offset by a decrease of $2,231,777 that is attributable to anticipated savings based on year-to-date FY 2015 experience.

Employer Contribution Rate Adjustments

While the funding ratios for each of the three retirement systems increased, the employer contribution rates for all three systems are increased based on a change to the amortization schedule to increase the amortization level from 93 percent to 95 percent. The following table shows the FY 2015 contribution rates and final rates for FY 2016. It should be noted that the net General Fund impact reflected in the table below is solely based on the change in the rates.

Fund	FY 2015 Rates (%)	FY 2016 Rates (%)	Percentage Point Increase (%)	Reason for Increase	General Fund Impact
Employees'	20.18	21.99	1.81	1.31 percentage points based on the change in the amortization schedule and 0.50 percentage points due to valuation results based on FY 2014 experience.	$6,011,865
Uniformed	37.90	38.83	0.93	2.11 percentage points based on the change in the amortization schedule, partially offset by a reduction of 1.18 percentage points due to valuation results based on FY 2014 experience.	$1,360,063
Police	36.82	37.98	1.16	2.64 percentage points based on the change in the amortization schedule, partially offset by a reduction of 1.48 percentage points due to valuation results based on FY 2014 experience.	$1,201,631
				Total	**$8,573,559**

For a more detailed discussion of the County's retirement systems, refer to the Employee Retirement Systems Overview in Volume 2 of the FY 2016 Adopted Budget Plan.

- **Virginia Retirement System (VRS)** **$87,092**
Virginia Retirement System contributions total $652,055, an increase of $87,092, or 15.4 percent, over the FY 2015 Adopted Budget Plan. Note: The number of employees covered by VRS has decreased from 233 in FY 1996 at the program's inception to 45 in FY 2016.

- **Line of Duty** **$76,841**
Expenditures to fund benefits for County employees covered under the Line of Duty Act total $1,104,102, an increase of $76,841, or 7.5 percent, over the FY 2015 Adopted Budget Plan. This increase is based on year-to-date FY 2015 experience.

- **Flexible Spending Accounts** **$2,332**
Administrative expenses associated with the County's flexible spending account program total $120,727, an increase of $2,332, or 2.0 percent, over the FY 2015 Adopted Budget Plan. This increase is based on year-to-date FY 2015 experience.

- **Unemployment Compensation** **$39,484**
Unemployment Compensation expenditures total $274,794, an increase of $39,484, or 16.8 percent, over the FY 2015 Adopted Budget Plan. This increase is based on year-to-date FY 2015 experience.

- **Capital Projects Reimbursements** **($123,481)**
Capital Projects reimbursements total $972,199, an increase of $123,481, or 14.5 percent, over the FY 2015 Adopted Budget Plan. This increase is associated with projected reimbursements for those employees who charge a portion of their time to capital projects.

- **Employee Assistance Program (EAP)** **$17,377**
Employee Assistance Program expenditures total $364,912, an increase of $17,377, or 5.0 percent, over the FY 2015 Adopted Budget Plan.

- **Tuition Reimbursement** **$0**

  Tuition Reimbursement expenditures total $360,000, and remain unchanged from the FY 2015 Adopted Budget Plan. Funding includes $300,000 for Tuition Assistance Program (TAP) reimbursements and $60,000 for Language Tuition Assistance Program (LTAP) reimbursements.

- **Employee Awards Program** **$0**

  Funding for cash awards for recipients of Outstanding Performance, Team Excellence, and Managerial Excellence Awards totals $215,000 and remains unchanged from the FY 2015 Adopted Budget Plan.

- **Employee Development Initiatives** **$0**

  Funding for employee development initiatives totals $1,172,850, and remains unchanged from the FY 2015 Adopted Budget Plan.

  FY 2016 funding includes the following:

  - $1,092,850 is included for General County Training programs including competency development courses offered using a framework targeted towards employee needs at each career stage as well as succession planning initiatives.
  - $50,000 is included for information technology training in recognition of the challenges associated with maintaining skills at the same pace as technology changes.
  - $30,000 is included for countywide initiatives including performance measurement training.

Changes to FY 2015 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2015 Revised Budget Plan since passage of the FY 2015 Adopted Budget Plan. Included are all adjustments made as part of the FY 2014 Carryover Review, FY 2015 Third Quarter Review, and all other approved changes through April 30, 2015.

- **Carryover Adjustments** **$514,320**

  As part of the *FY 2014 Carryover Review*, the Board of Supervisors approved funding of $514,320, including $321,766 in encumbered funding in Operating Expenses and $192,554 in Fringe Benefits to support positions in the Department of Family Services that are required to address increasing public assistance caseloads.

- **Third Quarter Adjustments** **($2,523,763)**

  As part of the *FY 2015 Third Quarter Review*, the Board of Supervisors approved a net reduction of $2,523,763 to generate one-time savings primarily to make a down payment on the recommended changes to the County's reserve policies.

Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2014 Actual	FY 2015 Adopted	FY 2015 Revised	FY 2016 Advertised	FY 2016 Adopted	Amount Inc/(Dec) over Adopted	% Inc/ (Dec) over Adopted
FRINGE BENEFITS							
Group Health Insurance	$88,540,440	$93,569,713	$93,633,499	$103,976,738	$103,546,666	$9,976,953	10.7%
Dental Insurance	3,603,470	3,796,984	3,799,573	4,090,474	4,091,256	294,272	7.8%
Group Life Insurance	1,408,515	1,391,408	1,393,196	1,445,884	1,446,416	55,008	4.0%
FICA	43,273,854	48,332,155	45,842,585	48,402,997	48,561,924	229,769	0.5%
Employees' Retirement	62,839,418	68,740,944	68,831,142	77,581,064	77,846,031	9,105,087	13.2%
Uniformed Retirement	51,920,988	57,719,105	57,719,105	59,632,702	59,795,002	2,075,897	3.6%
Police Retirement	34,086,845	38,654,921	38,654,921	41,027,138	41,146,840	2,491,919	6.4%
Virginia Retirement System	454,534	564,963	564,963	652,055	652,055	87,092	15.4%
Line of Duty	984,946	1,027,261	1,027,261	1,104,102	1,104,102	76,841	7.5%
Flexible Spending Accounts	119,237	118,395	118,395	120,727	120,727	2,332	2.0%
Unemployment Compensation	184,835	235,310	235,310	274,794	274,794	39,484	16.8%
Capital Project Reimbursements	(1,108,812)	(848,718)	(848,718)	(972,199)	(972,199)	(123,481)	14.5%
Employee Assistance Program	237,890	347,535	347,535	364,912	364,912	17,377	5.0%
Tuition Reimbursement	262,134	360,000	360,000	360,000	360,000	0	0.0%
Total Fringe Benefits	$286,808,294	$314,009,976	$311,678,767	$338,061,388	$338,338,526	$24,328,550	7.7%
OPERATING EXPENSES							
Employee Awards Program	$40,415	$215,000	$215,000	$215,000	$215,000	$0	0.0%
Employee Development Initiatives	777,669	1,172,850	1,494,616	1,172,850	1,172,850	0	0.0%
Total Operating Expenses	$818,084	$1,387,850	$1,709,616	$1,387,850	$1,387,850	$0	0.0%
TOTAL EMPLOYEE BENEFITS	$287,626,378	$315,397,826	$313,388,383	$339,449,238	$339,726,376	$24,328,550	7.7%