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. A self-insured open access plan (OAP) features a national network of providers with four levels of coverage. One level of coverage has a co-pay structure for office visits and other services, two levels of coverage include co-insurance and modest deductibles, and one level offers a consumer-directed health plan with a health savings account that is partially funded by the County. 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. The County's self-insured health insurance plans are 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 2017 Advertised Budget Plan.

- **Dental Insurance**

Fairfax County Government offers its employees and retirees a two-tiered dental insurance preferred provider organization (PPO) plan in order to provide a comprehensive plan with maximum flexibility. The plan includes the provision of a 50 percent employer contribution for all eligible active employees who elect dental coverage.

- **Group Life Insurance**
  Basic group life insurance coverage at one times salary is funded for all County employees 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.

- **Social Security and Medicare (FICA)**
  Social Security and Medicare contributions represent the employer portion of Federal Insurance Contributions Act (FICA) tax obligations for Fairfax County employees. Social Security contributions are calculated by applying the Social Security portion of the FICA tax rate to salary up a pre-determined wage base. The Medicare portion of the FICA tax rate is applied to total salary. Any change to the wage base or the FICA tax 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 95 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 2017, the employer contribution rates will be increased to adjust the amortization level of the unfunded liability from 95 percent to 97 percent.

  - Increases in the employer contribution rates will continue so that the County will include amortization of 100 percent of the unfunded liability in the actuarially determined contributions for all systems by FY 2020 at the latest. 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 2017 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 required employer contributions paid by the County to VRS for retirement benefits provided to the converted employees. It should be noted that funding for VRS payments will be reduced as these employees terminate service with the County.

  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 2017 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, 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, 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 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised
FUNDING				
Expenditures:				
Fringe Benefits	$307,188,662	$338,338,526	$338,743,700	$355,880,829
Operating Expenses	1,145,256	1,387,850	1,850,021	1,387,850
Total Expenditures	$308,333,918	$339,726,376	$340,593,721	$357,268,679

FY 2017 Funding Adjustments

The following funding adjustments from the FY 2016 Adopted Budget Plan are spread across the fringe benefit categories detailed below. They are reported in summary here for clarification purposes:

- **New Positions** **$3,332,033**
  An increase of $3,332,033 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 2016 and is not associated with new FY 2017 positions. New positions funded by non-General Fund sources are not included in the list below.

- Agency 08, Facilities Management Department – $62,544 and 3/3.0 FTE new positions to support daily service and general maintenance requirements at the new Public Safety Headquarters and $81,537 and 3/3.0 FTE new positions to support the Old Mount Vernon High School facility.

- Agency 15, Office of Elections – $53,532 and 2/2.0 FTE new positions to support expanded absentee voting services and to support the technical requirements of new voting equipment and online voting resources.

- Agency 67, Department of Family Services – $247,646 to address increasing public assistance caseloads in the Self Sufficiency division and $157,528 to support increased capacity in the School-Age Child Care (SACC) program.

- Agency 70, Department of Information Technology – $93,570 and 2/2.0 FTE new positions to address issues related to IT security.

- Agency 90, Police Department – $869,844 and 15/15.0 FTE new positions to begin the process of staffing the South County Police Station; $811,854 and 14/14.0 FTE new positions to increase the number of patrol officers at existing stations; $101,904 and 2/2.0 new positions to support polygraph testing for public safety applicants; and $112,678 to support 2/2.0 FTE positions that staff the Northern Virginia Human Trafficking Task Force as the grant funding utilized to support these positions has expired.

- Agency 92, Fire and Rescue Department – $739,396 to support full-year costs associated with 31/31.0 FTE positions that were initially funded by two Staffing for Adequate Fire and Emergency Response (SAFER) grants which expired in FY 2016.

♦ **Reductions and Realignments** **($541,848)**

A decrease of $541,848 in Personnel Services based on reductions and realignments of existing positions includes the following adjustments.

- Agency 04, Department of Cable and Consumer Services – a reduction of $276,135 as a result of the realignment of the Mail Services cost center from the General Fund to Fund 60020, Document Services.

- Agency 52, Fairfax County Public Library – a reduction of $187,713 as a result of the realignment of Archives to Fund 60020, Document Services.

- Agency 81, Juvenile and Domestic Relations District Court – a reduction of $78,000 as a result of the termination of a program to utilize 11 beds of available space for District of Columbia youth awaiting placement in a treatment facility or group home.

♦ **Employee Compensation** **$8,267,051**

An increase of $8,267,051 in Personnel Services includes $3,468,517 for a 1.33 percent market rate adjustment (MRA) for all employees and $2,206,071 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2016; $2,420,271 for FY 2017 merit and longevity increases (including the full-year impact of FY 2016 increases) for uniformed employees awarded on the employees' anniversary dates; $26,282 for employee pay increases for specific job classes identified in the County's benchmark class survey of comparator jurisdictions; and $145,910 to remove the two-year hold at Step 8 in the uniformed public safety pay plans.

The following funding adjustments from the FY 2016 Adopted Budget Plan are necessary to support the FY 2017 program:

- **Group Health Insurance** **$2,820,541**

  Health Insurance premiums total $106,367,207, an increase of $2,820,541, or 2.7 percent, over the FY 2016 Adopted Budget Plan. An increase of $3,562,391 reflects the impact of projected premium increases of 7.0 percent for all health insurance plans, effective January 1, 2017. An increase of $2,992,463 is based on the full-year impact of January 2016 premium adjustments. An additional increase of $893,397 is based on adjustments to reflect the inclusion of new positions. These increases are partially offset by a decrease of $170,910 based on position reductions and realignments and a decrease of $4,456,800 based on year-to-date FY 2016 experience.

- **Dental Insurance** **$45,120**

  Dental Insurance premiums total $4,136,376, an increase of $45,120, or 1.1 percent, over the FY 2016 Adopted Budget Plan. An increase of $100,153 reflects the impact of projected premium increases of 5.0 percent, effective January 1, 2017. An additional increase of $37,225 is based on adjustments to reflect the inclusion of new positions. These increases are partially offset by a decrease of $7,121 based on position reductions and realignments and a decrease of $85,137 based on year-to-date FY 2016 experience.

- **Group Life Insurance** **$41,889**

  Life Insurance premiums total $1,488,305, an increase of $41,889, or 2.9 percent, over the FY 2016 Adopted Budget Plan. An increase of $35,844 reflects the impact of projected premium increases of 5.0 percent, effective January 1, 2017. An additional increase of $23,531 is based on adjustments to reflect the inclusion of new positions. These increases are partially offset by a decrease of $4,846 based on position reductions and realignments and a decrease of $12,640 based on year-to-date FY 2016 experience.

- **Social Security and Medicare (FICA)** **$607,942**

  Social Security and Medicare contributions total $49,169,866, an increase of $607,942, or 1.3 percent, over the FY 2016 Adopted Budget Plan. An increase of $326,053 is based on adjustments to reflect the inclusion of new positions. An increase of $1,615,649 for employee compensation includes $686,357 for a 1.33 percent market rate adjustment (MRA) for all employees and $563,299 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2016, $340,707 for FY 2017 merit and longevity increases (including the full-year impact of FY 2016 increases) for uniformed employees awarded on the employees' anniversary dates; $6,881 for employee pay increases for specific job classes identified in the County's benchmark class survey of comparator jurisdictions; and $18,405 to remove the two-year hold at Step 8 in the uniformed public safety pay plans. These increases are partially offset by a decrease of $92,649 based on position reductions and realignments and a decrease of $1,241,111 that is attributable to anticipated savings based on year-to-date FY 2016 experience.

  Note: The Social Security wage base is $118,500 as of January 1, 2016 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, 2017 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 2017.

♦ **Retirement (Fairfax County Employees', Uniformed, Police Officers)** **$14,056,607**

Employer contributions to the retirement systems total $192,844,480, an increase of $14,056,607, or 7.9 percent, over the FY 2016 Adopted Budget Plan. An increase of $4,320,463 is based on projected increases in the employer contribution rates *(see discussion below for further details)*. An increase of $2,051,827 is based on adjustments to reflect the inclusion of new positions. An increase of $6,651,402 for employee compensation includes $2,782,160 for a 1.33 percent market rate adjustment (MRA) for all employees and $1,642,772 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2016; $2,079,564 for FY 2017 merit and longevity increases (including the full-year impact of FY 2016 increases) for uniformed employees awarded on the employees' anniversary dates; $19,401 for employee pay increases for specific job classes identified in the County's benchmark class survey of comparator jurisdictions; and $127,505 to remove the two-year hold at Step 8 in the uniformed public safety pay plans. Following Board of Supervisors policy to fully fund any increase in unfunded liability that results from a benefit enhancement in the year that the enhancement is approved, an increase of $1,990,000 is required to fund the increase in unfunded liability resulting from a reduction in the Social Security offset for service-connected disability retirees from 15 percent to 10 percent in the Employees' and Uniformed systems. These increases are partially offset by a decrease of $266,322 based on position reductions and realignments and a decrease of $690,763 based on year-to-date FY 2016 experience.

Employer Contribution Rate Adjustments

Following Board policy, the employer contribution rates for each retirement system will not be reduced until that system reaches 100 percent funded status. However, as a result of liability gains recognized in the valuation results based on FY 2015 experience, savings of $6,483,968 are available to offset the cost to change the amortization schedule to increase the amortization level from 95 percent to 97 percent. This reduces the cost of this adjustment from $10,753,947 to a net cost of $4,269,979. An additional increase of $50,484 represents the recurring cost of a reduction in the Social Security offset for service-connected disability retirees from 15 percent to 10 percent in the Employees' and Uniformed systems. The following table shows the FY 2016 contribution rates and proposed rates for FY 2017. 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 2016 Rates (%)	FY 2017 Rates (%)	Percentage Point Increase (%)	Reason for Increase	General Fund Impact
Employees'	21.99	22.91	0.92	1.33 percentage points based on the change in the amortization schedule and 0.01 percentage points based on the reduction in the Social Security offset for service-connected disability, partially offset by a reduction of 0.42 percentage points due to valuation results based on FY 2015 experience.	$3,229,814
Uniformed	38.83	38.84	0.01	2.09 percentage points based on the change in the amortization schedule and 0.01 percentage points based on the reduction in the Social Security offset for service-connected disability, partially offset by a reduction of 2.09 percentage points due to valuation results based on FY 2015 experience.	$15,377
Police	37.98	38.98	1.00	2.67 percentage points based on the change in the amortization schedule, partially offset by a reduction of 1.67 percentage points due to valuation results based on FY 2015 experience.	$1,075,272
				Total	**$4,320,463**

For a more detailed discussion of the County's retirement systems, refer to the Employee Retirement Systems Overview in Volume 2 of the FY 2017 Advertised Budget Plan.

- **Virginia Retirement System (VRS)** **$26,371**
  Virginia Retirement System contributions total $678,426, an increase of $26,371, or 4.0 percent, over the FY 2016 Adopted Budget Plan. This increase is primarily the result of increases in the employer contribution rate as determined by the state. The number of employees covered by VRS has decreased from 233 in FY 1996 at the program's inception to an estimated 40 in FY 2017.

- **Line of Duty** **$148,162**
  Expenditures to fund benefits for County employees covered under the Line of Duty Act total $1,252,264, an increase of $148,162, or 13.4 percent, over the FY 2016 Adopted Budget Plan. This increase is based on year-to-date FY 2016 experience.

- **Flexible Spending Accounts** **$8,404**
  Administrative expenses associated with the County's flexible spending account program total $129,131, an increase of $8,404, or 7.0 percent, over the FY 2016 Adopted Budget Plan. This increase is based on year-to-date FY 2016 experience.

- **Unemployment Compensation** **($92,910)**
  Unemployment Compensation expenditures total $181,884, a decrease of $92,910, or 33.8 percent, from the FY 2016 Adopted Budget Plan. This decrease is based on year-to-date FY 2016 experience.

- **Capital Projects Reimbursements** **($4,696)**
  Capital Projects reimbursements total $976,895, an increase of $4,696, or 0.5 percent, over the FY 2016 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)** **($115,127)**
  Employee Assistance Program expenditures total $249,785, a decrease of $115,127, or 31.5 percent, from the FY 2016 Adopted Budget Plan. This decrease is based on year-to-date FY 2016 experience.

- **Tuition Reimbursement** **$0**
  Tuition Reimbursement expenditures total $360,000, and remain unchanged from the FY 2016 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 2016 Adopted Budget Plan.

♦ **Employee Development Initiatives** **$0**

Funding for employee development initiatives totals $1,172,850, and remains unchanged from the FY 2016 Adopted Budget Plan.

FY 2017 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 2016 Adopted Budget Plan

The following funding adjustments reflect all approved changes in the FY 2016 Revised Budget Plan since passage of the FY 2016 Adopted Budget Plan. Included are all adjustments made as part of the FY 2015 Carryover Review, and all other approved changes through December 31, 2015.

♦ **Carryover Adjustments** **$867,345**

As part of the *FY 2015 Carryover Review*, the Board of Supervisors approved funding of $867,345, including $462,171 in encumbered funding in Operating Expenses, $157,528 in Fringe Benefits to increase capacity at elementary schools located throughout the County in the School-Aged Child Care (SACC) program, and $247,646 to support positions in the Department of Family Services that are required to address increasing public assistance caseloads.

Employee Benefits

Summary of Employee Benefits Costs by Category

BENEFIT CATEGORY	FY 2015 Actual	FY 2016 Adopted	FY 2016 Revised	FY 2017 Advertised	Amount Inc/(Dec) over Adopted	% Inc/ (Dec) over Adopted
FRINGE BENEFITS						
Group Health Insurance	$94,024,537	$103,546,666	$103,674,468	$106,367,207	$2,820,541	2.7%
Dental Insurance	3,824,374	4,091,256	4,096,581	4,136,376	45,120	1.1%
Group Life Insurance	1,447,788	1,446,416	1,450,037	1,488,305	41,889	2.9%
FICA	44,784,982	48,561,924	48,631,204	49,169,866	607,942	1.3%
Employees' Retirement	67,544,286	77,846,031	78,045,177	84,324,733	6,478,702	8.3%
Uniformed Retirement	56,402,683	59,795,002	59,795,002	63,777,425	3,982,423	6.7%
Police Retirement	37,822,401	41,146,840	41,146,840	44,742,322	3,595,482	8.7%
Virginia Retirement System	529,000	652,055	652,055	678,426	26,371	4.0%
Line of Duty	1,057,152	1,104,102	1,104,102	1,252,264	148,162	13.4%
Flexible Spending Accounts	124,559	120,727	120,727	129,131	8,404	7.0%
Unemployment Compensation	247,956	274,794	274,794	181,884	(92,910)	(33.8%)
Capital Project Reimbursements	(1,143,028)	(972,199)	(972,199)	(976,895)	(4,696)	0.5%
Employee Assistance Program	237,890	364,912	364,912	249,785	(115,127)	(31.5%)
Tuition Reimbursement	284,082	360,000	360,000	360,000	0	0.0%
Total Fringe Benefits	$307,188,662	$338,338,526	$338,743,700	$355,880,829	$17,542,303	5.2%
OPERATING EXPENSES						
Employee Awards Program	$206,910	$215,000	$215,000	$215,000	$0	0.0%
Employee Development Initiatives	938,346	1,172,850	1,635,021	1,172,850	0	0.0%
Total Operating Expenses	$1,145,256	$1,387,850	$1,850,021	$1,387,850	$0	0.0%
TOTAL EMPLOYEE BENEFITS	$308,333,918	$339,726,376	$340,593,721	$357,268,679	$17,542,303	5.2%