

# 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 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 three levels of coverage. 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) plan is available, featuring care centers located in communities throughout the area with a co-pay structure for office visits and other services. Beginning in calendar year (CY) 2021, a co-pay plan was closed to align with the County's long-term strategy, while two new Medicare Advantage Plans were offered to provide additional options for Medicare-eligible retirees.

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 provides 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.

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 2024 Adopted 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 equals annual salary rounded to the next higher thousand and is funded for all County employees solely through an employer contribution. If employees elect 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 to 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. The County is committed to strengthening the financial position of its retirement 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 Board of Supervisors approved, as part of the adoption of the FY 2016 Adopted Budget Plan, the following multi-year strategy:

- The employer contribution rates will be increased 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. 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 return, 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 Cost-of-Living Adjustments (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.

The County has also taken multiple steps to limit increases in liabilities. These changes have included tightening the requirements regarding the award of ad-hoc COLAs, adopting modifications to the retirement systems for new employees hired on or after January 1, 2013, and again for new employees hired on or after July 1, 2019, as well as increasing contribution rates by adjusting the amortization level of the unfunded liability to 100 percent beginning in the FY 2020 Adopted Budget Plan.

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 2024 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. As these employees terminate service with 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 2024 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.

## **Deferred Compensation Plan**

In addition to defined benefit plans, the County offers a deferred compensation plan under section 457(b) of the Internal Revenue Code to help employees plan for a financially secure retirement. The plan is fully funded by employees with no employer match.

## **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 Line of Duty 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 in the Department of Human Resources 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.

## Budget and Staff Resources

Category	FY 2022 Actual	FY 2023 Adopted	FY 2023 Revised	FY 2024 Advertised	FY 2024 Adopted
<b>FUNDING</b>					
<b>Expenditures:</b>					
Personnel Services	\$394,386,981	\$436,770,036	\$429,546,044	\$476,347,549	\$492,763,206
Operating Expenses	3,329,396	4,277,854	4,377,854	4,299,718	4,299,718
<b>Subtotal</b>	<b>\$397,716,377</b>	<b>\$441,047,890</b>	<b>\$433,923,898</b>	<b>\$480,647,267</b>	<b>\$497,062,924</b>
<b>Less:</b>					
Recovered Costs	(\$3,112,763)	(\$1,872,424)	(\$1,872,424)	(\$2,835,000)	(\$2,835,000)
<b>Total Expenditures</b>	<b>\$394,603,614</b>	<b>\$439,175,466</b>	<b>\$432,051,474</b>	<b>\$477,812,267</b>	<b>\$494,227,924</b>

## FY 2024 Funding Adjustments

The following funding adjustments from the FY 2023 Adopted Budget Plan are necessary to support the FY 2024 program. 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 May 9, 2023.

The following funding adjustments from the FY 2023 Adopted Budget Plan are spread across the fringe benefit categories detailed below. They are reported in summary here for clarification purposes:

### **New Positions** **\$2,101,970**

An increase of \$2,101,970 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 2023 and is not associated with new FY 2024 positions. New positions funded by non-General Fund sources are not included in the list below.

- Agency 02, Office of the County Executive – \$176,417 and 3/3.0 FTE new positions to support the implementation of the Community-Wide Energy and Climate Action Plan (CECAP).
- Agency 15, Office of Elections – \$78,833 and 2/2.0 FTE new positions due to increases in absentee voting and advancements in voting equipment and technology.
- Agency 20, Department of Management and Budget – \$103,497 associated with positions to support countywide data analytics.
- Agency 30, Department of Economic Initiatives – \$78,989 and 1/1.0 FTE new position to establish a deputy director position.
- Agency 38, Department of Housing and Community Development – \$54,251 and 1/1.0 FTE new position to support manufactured housing initiatives.
- Agency 51, Park Authority – \$220,191 and 6/6.0 FTE new positions, including 3 positions to support forestry operations, 1 position to support bamboo mitigation, 2 positions to support partial-year operation of a new mobile nature center program, and full year funding impact of positions approved as part of the FY 2023 Adopted Budget Plan for the opening of the Patriot Park North Complex.
- Agency 67, Department of Family Services – \$44,963 and 1/1.0 FTE new position to support services for the elderly residents of the housing authority's senior communities.

## Employee Benefits

- Agency 79, Department of Neighborhood and Community Services – \$109,334 and 4/3.25 FTE new positions, as well as non-merit staffing of \$3,027, to support the Springfield Center Without Walls and the expansion of Opportunity Neighborhoods to the Centreville area.
- Agency 80, Circuit Court – \$37,217 and 1/1.0 FTE new position to support increased demand on probate clerks.
- Agency 85, General District Court – \$124,992 associated with positions approved as part of the *FY 2022 Carryover Review* to facilitate the transition from a State-led department to a County-led department.
- Agency 90, Police Department – \$206,814 and 4/4.0 new positions, including 2 positions to provide additional financial resources staffing based on workload requirements, 1 position establish an equity lead position to support the One Fairfax initiative, and 1 position to provide crisis intervention and referral services in the Victim Services Division.
- Agency 93, Department of Emergency Management and Security – \$26,987 and 1/1.0 FTE new position to support the Regional Preparedness System.
- Agency 96, Department of Animal Sheltering – \$836,458 associated with positions approved as part of the *FY 2022 Carryover Review* to support the opening of the South County Animal Shelter.

### Employee Compensation

**\$34,835,986**

An increase of \$34,835,986 in Personnel Services includes \$21,854,279 for a 5.44 percent market rate adjustment (MRA) for all employees, and \$3,581,137 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2023; \$4,683,778 for merit and longevity increases for uniformed employees awarded on the employee's anniversary dates; \$3,359,388 for police pay adjustments including an additional 5.0 percent pay scale increase for all uniformed police employees; and \$665,001 for Fire Lieutenant and Master Fire Technician's rank structure adjustments in the Fire and Rescue Department. The remaining increase of \$692,403 is included to support employee retention and recruitment efforts that will align the County's pay structures with the market based on benchmark data.

### Targeted Vacancy Savings

**(\$1,669,329)**

A decrease of \$1,669,329 is included to recognize targeted vacancy savings. Although the County has taken actions to reduce the vacancy rate, it is anticipated that vacancies will remain high for the foreseeable future, generating flexibility in agency budgets.

*The following funding adjustments from the FY 2023 Adopted Budget Plan are necessary to support the FY 2024 program:*

### Group Health Insurance

**\$4,789,697**

Health Insurance premiums total \$114,802,202, a net increase of \$4,789,697, or 4.4 percent, over the FY 2023 Adopted Budget Plan. An increase of \$2,653,929 reflects the impact of projected premium increases of 5.0 percent for all health insurance plans, effective January 1, 2024. An increase of \$2,139,442 is based on the full-year impact of January 2023 premium adjustments. An additional net increase of \$578,831 is based on adjustments to reflect the inclusion of new positions. The increases are partially offset by savings of \$582,505 based on year-to-date FY 2023 experience.

### **Dental Insurance** **\$17,076**

Dental Insurance premiums total \$4,198,968, a net increase of \$17,076, or 0.4 percent, over the FY 2023 Adopted Budget Plan. An increase of \$50,122 is to reflect the impact of projected premium increases of 2.5 percent, effective January 1, 2024, and an increase of \$21,863 is based on adjustments to reflect the inclusion of new positions. The increases are partially offset by savings of \$54,909 based on year-to-date FY 2023 experience.

### **Group Life Insurance** **\$496,898**

Life Insurance premiums total \$1,805,869, a net increase of \$496,898, or 38.0 percent, over the FY 2023 Adopted Budget Plan. An increase of \$550,000 is to reflect the impact of contracted premium increases, effective January 1, 2023, and an increase of \$6,119 is based on adjustments to reflect the inclusion of new positions. The increases are partially offset by savings of \$59,221 based on year-to-date FY 2023 experience.

### **Social Security and Medicare (FICA)** **\$1,713,923**

Social Security and Medicare contributions total \$64,136,054, a net increase of \$1,713,923, or 2.7 percent, over the FY 2023 Adopted Budget Plan. Funding includes increases of \$316,972 based on adjustments to reflect the inclusion of new positions; \$3,580,626 for a 5.44 percent MRA for all employees and \$685,765 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2023; \$547,787 for merit and longevity increases for uniformed employees awarded on the employee's anniversary dates; \$108,644 for police pay adjustments including an additional 5.0 percent pay scale increase for all uniformed police employees; \$103,975 for Fire Lieutenant and Master Fire Technician's rank structure adjustments in the Fire and Rescue Department; and \$153,602 to support employee retention and recruitment efforts that will align the County's pay structures with the market based on benchmark data. The increases are partially offset by savings of \$3,783,448 based on year-to-date FY 2023 experience as well as FY 2024 anticipated requirements based on the current projected vacancy rate.

Note: The Social Security wage base is \$160,200 as of January 1, 2023, 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, 2024, is not yet known; any subsequent adjustments to FICA with a fiscal impact will be included at a quarterly review during FY 2024.

### **Retirement (Fairfax County Employees', Uniformed, Police Officers)** **\$49,018,290**

Employer contributions to the retirement systems total \$307,553,822, a net increase of \$49,018,290, or 19.0 percent, over the FY 2023 Adopted Budget Plan. An increase of \$24,926,628 is based on the actuarial valuation resulting from employer contribution rate increases. An increase of \$1,178,185 is based on adjustments to reflect the inclusion of new positions. An increase of \$18,273,653 is included for a 5.44 percent MRA for all employees, \$2,895,372 for performance-based and longevity increases for non-uniformed merit employees, both effective July 2023; \$4,135,991 for merit and longevity increases for uniformed employees awarded on the employee's anniversary dates; \$3,250,744 for police pay adjustments including an additional 5.0 percent pay scale increase for all uniformed police employees; \$561,026 for Fire Lieutenant and Master Fire Technician's rank structure adjustments in the Fire and Rescue Department; and \$538,801 to support employee retention and recruitment efforts that will align the County's pay structures with the market based on benchmark data. These increases are partially offset by savings of \$5,072,781 based on year-to-date FY 2023 experience and an additional reduction of \$1,669,329 to recognize countywide targeted vacancy savings.

## Employer Contribution Rate Adjustments

Following the County's policy, contribution rates are only adjusted to maintain amortization of 100 percent of the unfunded liability, to fund approved benefit enhancements, or to acknowledge changes in actuarial assumptions. Resulting from FY 2022 experience, the required contribution rates have increased over the FY 2023 adopted contribution rates. The FY 2024 employer contribution rates for each of the three retirement systems are as follows:

	FY 2023 Rates (%)	FY 2024 Rates (%)	Percentage Point Change (%)	General Fund Impact* (in millions)
<b>Employees'</b>	28.88	30.07	1.19	\$5.3
<b>Uniformed</b>	39.31	46.79	7.48	\$13.4
<b>Police Officers</b>	46.04	50.87	4.83	\$6.2
<b>Total</b>				<b>\$24.9</b>

\* The General Fund impact reflected in the table is based solely on rate changes and does not include other adjustments, including the impact of new positions, employee pay increases, or year-to-date experience.

For a more detailed discussion of the County's retirement systems, refer to the Employee Retirement Systems Overview in Volume 2 of the FY 2024 Adopted Budget Plan.

### **Virginia Retirement System (VRS) (\$42,714)**

Virginia Retirement System contributions total \$266,291, a decrease of \$42,714, or 13.8 percent, from the FY 2023 Adopted Budget Plan. This decrease is based on year-to-date FY 2023 experience. The number of employees covered by VRS has decreased from 233 in FY 1996 at the program's inception to an estimated 13 in FY 2024.

### **Line of Duty (\$92,436)**

Expenditures to fund benefits for County employees covered under the Line of Duty Act total \$1,961,588, a decrease of \$92,436, or 4.5 percent, from the FY 2023 Adopted Budget Plan. This decrease is based on year-to-date FY 2023 experience.

### **Flexible Spending Accounts (\$1,915)**

Administrative expenses associated with the County's flexible spending account program total \$86,152, a decrease of \$1,915, or 2.2 percent, from the FY 2023 Adopted Budget Plan. This decrease is based on year-to-date FY 2023 experience.

### **Unemployment Compensation \$1,907**

Unemployment Compensation expenditures total \$125,420, an increase of \$1,907, or 1.5 percent, over the FY 2023 Adopted Budget Plan based on year-to-date FY 2023 experience.

### **Capital Project Reimbursements (\$962,576)**

Capital Project reimbursements total \$2,835,000, an increase of \$962,576 over the FY 2023 Adopted Budget Plan based on year-to-date FY 2023 experience.

### **Employee Assistance Program (EAP) \$14,308**

Employee Assistance Program expenditures total \$328,708, an increase of \$14,308, or 4.6 percent, over the FY 2023 Adopted Budget Plan. This increase is based on year-to-date FY 2023 experience.

**Tuition Reimbursement** **\$100,000**

Tuition Reimbursement expenditures total \$460,000, an increase of \$100,000, or 27.8 percent, over the FY 2023 Adopted Budget Plan. The change is to increase the maximum annual reimbursement amount in the Tuition Assistance Program (TAP) approved as part of the *FY 2022 Carryover Review*. Funding includes \$400,000 for 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 2023 Adopted Budget Plan.

**Employee Development Initiatives** **\$0**

Funding for employee development initiatives totals \$1,122,850 and remains unchanged from the FY 2023 Adopted Budget Plan. FY 2024 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.
- \$30,000 is included for countywide initiatives including performance measurement training.

## Changes to FY 2023 Adopted Budget Plan

*The following funding adjustments reflect all approved changes in the FY 2023 Revised Budget Plan since passage of the FY 2023 Adopted Budget Plan. Included are all adjustments made as part of the FY 2022 Carryover Review, FY 2023 Third Quarter Review, and all other approved changes through April 30, 2023.*

**Carryover Adjustments** **\$643,221**

As part of the *FY 2022 Carryover Review*, the Board of Supervisors approved funding of \$643,221, including \$100,000 in Operating Expenses to increase the maximum annual reimbursement amount from \$1,600 to \$2,000 per employee in the TAP as part of the employee retention strategies. The remaining amount of \$543,221 is in Fringe Benefits, attributable to increases to support new positions for the South County Animal Shelter and General District Court agency leadership.

**Third Quarter Adjustments** **(\$7,767,213)**

As part of the *FY 2023 Third Quarter Review*, the Board of Supervisors approved a decrease of \$7,767,213 to reflect fringe benefit savings based on year-to-date experience primarily due to position vacancies. It should be noted that \$1,767,213 of the savings is redirected to partially offset pay adjustments required to support employee retention efforts that will reduce pay compression and align the County's pay structures with the market.

## SUMMARY OF EMPLOYEE BENEFIT COSTS BY CATEGORY

Benefit Category	FY 2022 Actual	FY 2023 Adopted Budget Plan	FY 2023 Revised Budget Plan	FY 2024 Advertised Budget Plan	FY 2024 Adopted Budget Plan
<b>FRINGE BENEFITS</b>					
Group Health Insurance	\$98,306,412	\$110,012,505	\$108,526,263	\$114,736,062	\$114,802,202
Dental Insurance	4,058,100	4,181,892	4,187,847	4,196,470	4,198,968
Group Life Insurance	1,310,659	1,308,971	1,310,652	1,805,164	1,805,869
FICA	53,962,807	62,422,131	60,355,298	61,623,264	64,136,054
Employees' Retirement	119,773,949	128,862,022	127,273,469	139,556,432	144,317,565
Uniformed Retirement	63,039,929	70,431,391	69,584,391	87,213,734	90,880,070
Police Retirement	53,662,435	59,242,119	57,999,119	66,950,132	72,356,187
Virginia Retirement System	272,690	309,005	309,005	266,291	266,291
Line of Duty	1,776,319	2,054,024	2,054,024	1,961,588	1,961,588
Flexible Spending Accounts	107,956	88,067	88,067	86,152	86,152
Unemployment Compensation	241,526	123,513	123,513	125,420	125,420
Capital Project Reimbursements	(3,112,763)	(1,872,424)	(1,872,424)	(2,835,000)	(2,835,000)
Employee Assistance Program	291,347	314,400	314,400	328,708	328,708
Tuition Reimbursement	338,428	360,000	460,000	460,000	460,000
<b>Total Fringe Benefits</b>	<b>\$394,029,794</b>	<b>\$437,837,616</b>	<b>\$430,713,624</b>	<b>\$476,474,417</b>	<b>\$492,890,074</b>
<b>OPERATING EXPENSES</b>					
Employee Awards Program	\$0	\$215,000	\$215,000	\$215,000	\$215,000
Employee Development Initiatives	573,820	1,122,850	1,122,850	1,122,850	1,122,850
<b>Total Operating Expenses</b>	<b>\$573,820</b>	<b>\$1,337,850</b>	<b>\$1,337,850</b>	<b>\$1,337,850</b>	<b>\$1,337,850</b>
<b>TOTAL EMPLOYEE BENEFITS</b>	<b>\$394,603,614</b>	<b>\$439,175,466</b>	<b>\$432,051,474</b>	<b>\$477,812,267</b>	<b>\$494,227,924</b>