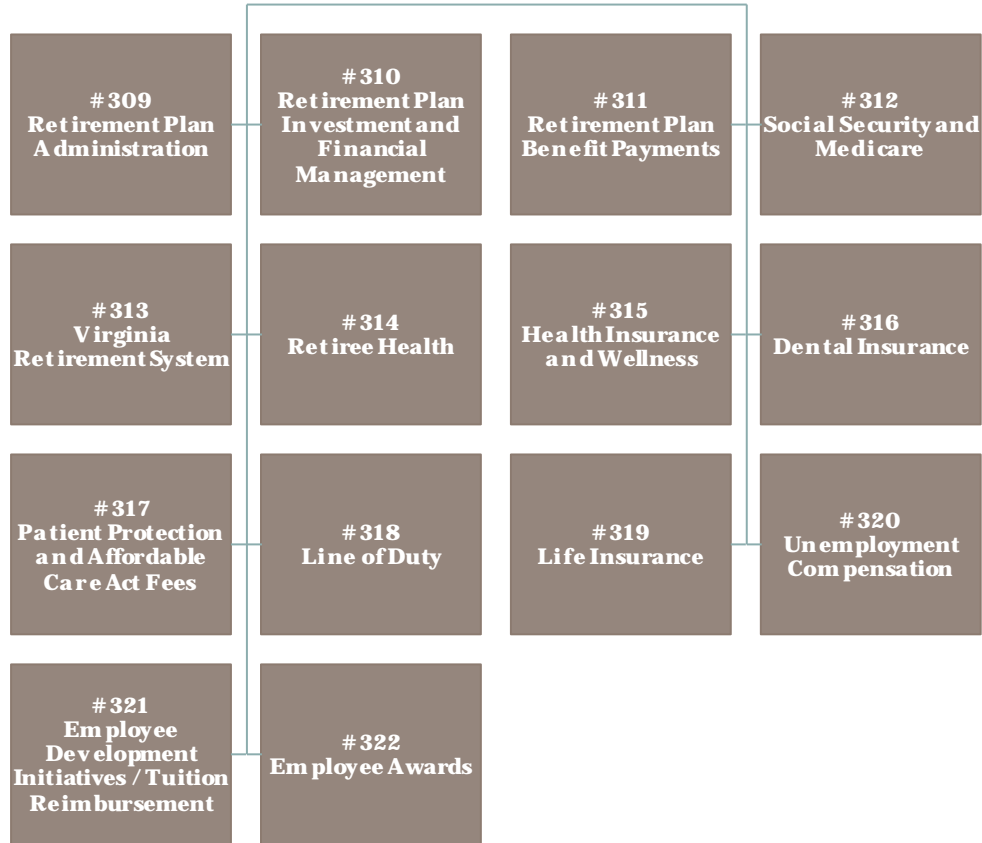


# Employee and Retiree Benefits



## Overview

The County provides a comprehensive array of benefits to its employees and retirees, which contribute to its ability to successfully compete for talent and retain a capable workforce. Retirement benefits are managed by the Retirement Administration Agency under the direction of the Boards of Trustees for the three retirement systems. Retiree health benefits are managed jointly by the Retirement Administration Agency, the Department of Finance, the Department of Human Resources, and the Department of Management and Budget. All other benefits are managed by the Department of Human Resources.

Fairfax County employee retirement systems include the Employees' Retirement System (Fund 73000), the Uniformed Retirement System (Fund 73010), and the Police Officers Retirement System (Fund 73020). The Retirement Administration Agency safeguards and invests the assets of the systems, optimizing long-term investment returns within an acceptable level of variation. Training and counseling are provided to active employees and retirees, and the agency processes benefit payments to retirees and beneficiaries. The activities of the Retirement Administration Agency are divided into three Lines of Business: Retirement Plan Administration, Retirement Plan Investment and Financial Management, and Retirement Plan Benefit Payments.

Retiree health benefits include a monthly Retiree Health Benefit Subsidy for retirees who participate in the County's health plans, and an implicit subsidy to retirees that results from health insurance premiums being set based on the blended experience of the retiree and active employee populations. Expenditures for these subsidies and their associated Governmental Accounting Standards Board (GASB) Statement No. 45 liability are accounted for in Fund 73030, OPEB Trust.

## Employee and Retiree Benefits

Other major benefit categories include health, dental, long-term disability and life insurance, and wellness programs that are designed to encourage employees to become and stay healthy in order to reduce the cost of health care. Employee development and awards programs provide training and recognition to the workforce. The County also participates in mandated benefits-related programs such as Social Security, Medicare, the Virginia unemployment insurance program, and the Virginia Line of Duty Act.

It should be noted that this consolidated presentation includes Agency 89, Employee Benefits, in the General Fund, as well as Fund 60040, Health Benefits; Fund 73000, Employees' Retirement Trust; Fund 73010, Uniformed Retirement Trust; Fund 73020, Police Officers Retirement Trust; and Fund 73030, OPEB Trust.

### Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>FUNDING</b>			
<b>Net General Fund Impact:</b>			
Retirement	\$148,498,282	\$161,301,956	\$178,466,496
Social Security and Medicare	43,033,539	44,455,054	48,361,442
Virginia Retirement System	454,534	529,000	652,055
Retiree Health	28,000,000	28,000,000	26,000,000
Health Insurance and Wellness	88,405,872	93,878,684	103,604,826
Dental Insurance	3,583,459	3,803,699	4,074,366
Patient Protection and Affordable Care Act Fees	1,600,000	1,000,000	0
Line of Duty	984,946	1,057,152	1,104,102
Life Insurance	1,400,693	1,439,962	1,440,445
Unemployment Compensation	184,835	247,956	274,794
Employee Development Initiatives / Tuition Reimbursement	1,039,803	1,223,829	1,532,850
Employee Awards	40,415	206,910	215,000
<b>Net General Fund Impact</b>	<b>\$317,226,378</b>	<b>\$337,144,202</b>	<b>\$365,726,376</b>
General Fund Expenditures	\$287,626,378	\$308,144,202	\$339,726,376
<b>Transfers In:</b>			
Transfer In from General Fund	\$29,600,000	\$29,000,000	\$26,000,000
<b>Total Transfers In</b>	<b>\$29,600,000</b>	<b>\$29,000,000</b>	<b>\$26,000,000</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	26 / 26	26 / 26	26 / 26
<b>Total Positions</b>	<b>26 / 26</b>	<b>26 / 26</b>	<b>26 / 26</b>

# Employee and Retiree Benefits

## Lines of Business Summary

LOB #	LOB Title	FY 2016 Adopted	
		Net General Fund Impact	Positions
<i>Retirement Administration Agency <sup>1</sup></i>			
309	Retirement Plan Administration	\$1,415,084	20
310	Retirement Plan Investment and Financial Management	0	5
311	Retirement Plan Benefit Payments	177,051,412	0
	<b>Total Retirement Administration Agency</b>	<b>\$178,466,496</b>	<b>25</b>
312	Social Security and Medicare	\$48,361,442	0
313	Virginia Retirement System	652,055	0
314	Retiree Health	26,000,000	1
315	Health Insurance and Wellness	103,604,826	0
316	Dental Insurance	4,074,366	0
317	Patient Protection and Affordable Care Act Fees	0	0
318	Line of Duty	1,104,102	0
319	Life Insurance	1,440,445	0
320	Unemployment Compensation	274,794	0
321	Employee Development Initiatives / Tuition Reimbursement	1,532,850	0
322	Employee Awards	215,000	0
	<b>Total</b>	<b>\$365,726,376</b>	<b>26</b>

(1) The General Fund employer contributions to the retirement systems are spread between the Retirement Plan Administration and Retirement Plan Benefit Payments LOBs based on the ratio of the administrative expense portion of the employer contribution rate to the overall rate. No net General Fund impact is shown for the Retirement Plan Investment and Financial Management LOB as it generates sufficient revenue from investment returns to cover all LOB expenditures.

# Employee and Retiree Benefits

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## Lines of Business

LOB #309:

### **RETIREMENT PLAN ADMINISTRATION**

#### **Purpose**

The Retirement Plan Administration Line of Business includes all operations of the three County retirement systems with the exception of investment and financial management.

#### **Description**

Under the direction of the Boards of Trustees for the three County retirement systems, the Retirement Plan Administration agency processes benefit payments to eligible Fairfax County retirees and beneficiaries. The agency also processes payments for the retiree health benefit subsidy from Fund 73030, OPEB Trust, and provides counseling and comprehensive benefits information to active and retired County employees.

Services include providing staff support to the three Boards of Trustees, maintaining records of service and employee contributions, member communication and education, retirement counseling, benefit calculation, processing monthly benefit payments and refunds, processing disability retirement applications, and coordinating the activities of service providers including the Systems' actuary. Information systems required in providing these services are maintained by Retirement Administration Agency staff with support from the Department of Information Technology.

All expenses incurred for these services are paid from the assets of the retirement systems. The actuarially determined employer contribution rate for each retirement system includes an administrative expense component to fund this expense. The rates include 0.20 percent of payroll for the Employees' system, 0.25 percent of payroll for the Uniformed system, and 0.30 percent of payroll for the Police Officers system.

Support provided by other agencies includes check printing and electronic payment processing by the Department of Finance, medical evaluations related to disability by the Health Department, and legal counsel by the Office of the County Attorney. The systems contract with an actuarial services firm for annual actuarial valuations and for certain other calculations, such as IRS Section 415 limits and portability. External professional services are also retained by the Boards of Trustees for legal counsel, medical evaluations and advice.

Strategic issues for the department include:

- Monitoring the performance of the actuary and the success of the funding policy so that plans are adequately funded for the long term; and
- Reviewing processes to identify opportunities to streamline operations and improve the efficiency of services.

#### **Benefits**

Retirement Plan Administration processes retirement benefits for each of the County's retirement systems. As a dedicated autonomous resource for the oversight, calculation and payment of retirement program benefits, staff ensures good stewardship of trust assets by providing accurate benefit calculations. Staff also delivers group counseling, personalized counseling and educational programs to explain the value of the benefits that are provided, retirement plan options, and how best to plan for retirement.

# Employee and Retiree Benefits

## Mandates

The Commonwealth of Virginia requires that jurisdictions either participate in the Virginia Retirement System (VRS) or establish their own retirement system. Jurisdictions that establish their own retirement system must provide benefits that are at least two-thirds of the benefits provided by VRS.

## Trends and Challenges

The number of retired members has been growing and is expected to continue to increase. Past automation of functions, including the replacement of the agency's legacy systems with a new comprehensive defined benefit administration system, enabled staff to absorb the growth of the systems to date. With the aging of the County workforce and the associated acceleration in the rate of retirements and the number of retirees, maintaining the necessary level of service with the current staffing levels will continue to be a significant management challenge.

Looking forward, staff will continue to be focused on making optimal use of technology. This will include improvements to internet-based member services applications and continuing efforts to identify other opportunities to enhance member communication and education.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #309: Retirement Plan Administration</b>			
<b>FUNDING</b>			
<b>Expenditures:</b>			
Compensation	\$1,420,116	\$1,406,577	\$1,641,301
Benefits	580,679	594,865	724,599
Operating Expenses	747,428	792,531	1,043,456
<b>Total Expenditures</b>	<b>\$2,748,223</b>	<b>\$2,793,973</b>	<b>\$3,409,356</b>
<b>Revenue:</b>			
General Fund Employer Contributions	\$1,305,798	\$1,345,002	\$1,415,084
Other County Employer Contributions	347,252	353,274	237,761
County Employee Contributions	406,756	386,002	364,493
School Employer Contributions	378,878	384,738	372,711
School Employee Contributions	92,711	89,891	83,813
<b>Total Revenue</b>	<b>\$2,531,395</b>	<b>\$2,558,907</b>	<b>\$2,473,862</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	20 / 20	20 / 20	20 / 20
<b>Total Positions</b>	<b>20 / 20</b>	<b>20 / 20</b>	<b>20 / 20</b>

## Employee and Retiree Benefits

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### Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Employees' Retirement System funding ratio	72.9%	78.3%	74.2%	NA	NA
Uniformed Retirement System funding ratio	79.1%	85.2%	81.0%	NA	NA
Police Officers Retirement System funding ratio	82.1%	86.8%	84.8%	NA	NA

The funding status is determined by the ratio of assets of the system to total actuarial liabilities for benefits by each system. In accordance with the Governmental Accounting Standards Board (GASB) Statement No. 67, the funding ratios are presented using the market value of assets beginning in FY 2014 instead of the smoothed actuarial asset values used previously. The funding ratio for FY 2015 is 74.2 percent for the Employees' system, 81.0 percent for the Uniformed system and 84.8 percent for the Police Officers system. Funding ratios for each system increased between FY 2013 and FY 2015. It should be noted that the funding ratios as published in the County's Comprehensive Annual Financial Report (CAFR) are delayed by one year, with the FY 2015 CAFR reporting the FY 2014 Actual funding ratios shown above.

# Employee and Retiree Benefits

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LOB #310:

## **RETIREMENT PLAN INVESTMENT AND FINANCIAL MANAGEMENT**

### **Purpose**

The Retirement Plan Investment and Financial Management Line of Business includes the provision of investment consulting advice to the three Boards of Trustees and implementation of investment strategies and decisions; oversight of and coordination with the systems' custodial bank; accounting for fund assets, income and disbursements; preparation of financial statements; and coordination with external investment consultants. Investment advice and support includes development of an Investment Policy Statement for each system that details investment strategy, policy and guidelines. Investment support consists of strategic and tactical asset allocation advice, identification and selection of external investment managers and oversight, compliance and due diligence reviews of investment managers and portfolios. Other functions include investment performance monitoring and reporting, risk allocation and management, monitoring capital market trends, and asset allocation re-balancing.

### **Description**

The Retirement Plan Investment and Financial Management LOB acts as an agent of the Boards of Trustees of the Employees', Uniformed, and Police Officers Retirement Systems. Its mission is to manage the three retirement systems according to the terms established by the County and to do so in a manner that:

- Safeguards and invests the assets of the systems in accordance with the standard of care required in making such investments as stated in the Virginia Code § 51.1-803 and in compliance with each Board's stated objectives and investment policies;
- Maximizes cost effectiveness of the retirement programs by optimizing long-term investment returns within an acceptable level of variation in required funding and by maintaining efficient investment operations; and
- Fulfills the obligations of the systems to participants.

To accomplish its specific mission, the Retirement Agency focuses on portfolio construction to optimize investment return and control risk; supporting the information needs of the Boards of Trustees; accurate accounting, control, and reporting of plan assets; and monitoring the cost efficiency of processes.

The Uniformed Board of Trustees employs an outside investment consulting firm. For this system, agency staff works with the consulting firm to provide advice to the Board on investment strategy and implementation. For the Employees' system and the Police Officers system, all investment consulting services are provided internally by professional agency staff.

With the exception of balances in the County's pooled cash account, all investment portfolios are managed by outside investment management firms. Staff monitors the activities of the investment managers. Staff and external consultants assist with the identification of managers to be hired or fired and with reporting and analysis of performance. All securities are held for the systems by external custodians.

Each system has adopted a formal investment policy statement. The investments and investment risks of the systems are well diversified by asset class, investment strategy and number of investment positions. Asset allocation strategies reflect each Board's desired balance of return and risk. Disciplined re-balancing processes have been adopted by each Board as a means of maintaining the desired exposure to each segment of the capital markets. Trustees and staff closely monitor the performance of the individual portfolios to ensure that established investment guidelines are followed and that the manager is producing the expected returns over market cycles.

# Employee and Retiree Benefits

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Staff works with each Board of Trustees in an ongoing review of the entire investment strategy and implementation with a focus on maintaining an investment structure and complement of investment managers and styles that optimizes risk-adjusted returns and takes advantage of best practices in portfolio management as they develop over time. Over the past few years, changes have been initiated to focus on increased diversification of market risk exposures and to include diversified active management strategies with low correlations to create a total portfolio with greater risk/return efficiency.

The systems implement portfolio investment strategies that better balance exposures to multiple asset classes than traditional asset portfolio models. As a result, each system utilizes derivatives at the portfolio level to increase and decrease exposure to certain asset classes to balance the portfolio risk and return profiles. Trustees are advised at every meeting about the economic exposures of the various asset classes.

## Benefits

The Retirement Plan Investment and Financial Management LOB provides the Retirement Boards with expert advice on the investment of retirement assets and produces accurate and reliable audited financial reports presenting the financial statements of each retirement system. The highly-competitive returns generated based on the advice of this LOB have significantly reduced the level of employer contributions required by the County.

## Mandates

The Commonwealth of Virginia requires that jurisdictions either participate in the Virginia Retirement System (VRS) or establish their own retirement system. Jurisdictions that establish their own retirement system must provide benefits that are at least two-thirds of the benefits provided by VRS.

## Trends and Challenges

Each of the retirement systems targets a 7.5 percent investment return net of fees, which is near the midpoint of a peer group of comparable public pension systems. Over the last 10 years ending June 2015, the average annual investment results achieved were 7.2 percent for the Employees' system, 6.6 percent for the Uniformed system, and 7.0 percent for the Police Officers system. These returns compare very favorably to returns of a peer group of other large public pension systems and are commendable considering the steep market losses incurred during the financial crisis of 2008. Based on current assumptions and the strategic asset allocation policies of each system, the 7.5 percent target return remains realistic. However, there is no guarantee as to what future returns will be for well-diversified portfolios that have a reasonable level of investment risk and complexity. Target investment returns and high funding ratios may be a challenge to achieve in the current low interest rate environment with low return expectations for most asset classes.

In addition, changes in accounting reporting standards from implementation of Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Systems, and GASB Statement No. 68, Accounting and Financial Reporting for Pensions, will bring increased visibility to the volatility and magnitude of the pension liability shortfall as the smoothing of asset values has been eliminated in the reporting of funding ratios for GASB purposes. The County continues to use smoothed asset values in the determination of required employer contributions. This change in reporting also brings the pension liability for employees covered under the Supplemental Retirement System of Fairfax County (ERFC) and the Virginia Retirement System onto the County balance sheet.



# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #310: Retirement Plan Investment and Financial Management</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$710,058	\$703,289	\$820,649
Benefits	290,340	297,432	362,299
Operating Expenses	19,941,402	19,321,758	32,755,667
<b>Total Expenditures</b>	<b>\$20,941,800</b>	<b>\$20,322,479</b>	<b>\$33,938,615</b>
<u>Revenue:</u>			
Return on Investments <sup>1</sup>	\$462,562,658	\$392,927,230	\$503,163,082
Unrealized Gain/(Loss) <sup>1</sup>	435,515,774	(161,724,925)	0
<b>Total Revenue</b>	<b>\$898,078,432</b>	<b>\$231,202,305</b>	<b>\$503,163,082</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	5 / 5	5 / 5	5 / 5
<b>Total Positions</b>	<b>5 / 5</b>	<b>5 / 5</b>	<b>5 / 5</b>

(1) The FY 2015 actual revenue figures only reflect investment returns through May 2015. Final revenue figures will be included in the FY 2017 Advertised Budget Plan as audit adjustments to FY 2015.

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Employees' Retirement System Net Return	7.60%	14.86%	0.45%	7.50%	7.50%
Uniformed Retirement System Net Return	10.03%	16.09%	1.47%	7.50%	7.50%
Police Officers Retirement System Net Return	9.53%	16.22%	3.35%	7.50%	7.50%

This LOB serves the three Retirement Boards and the participants in the Employees', Uniformed, and Police Officers Retirement Systems by providing expert investment advice to achieve each system's investment policy goals. Over the last 35 years, all three systems have achieved returns that have exceeded the targeted 7.5 percent actuarial assumption with average annual net returns by system ranging from 9.2 percent to 10.1 percent. Returns over the past three years have fluctuated, with strong returns in all three systems in FY 2013 and FY 2014 that exceeded the 7.5 percent target and returns that fell short of the target in FY 2015. Looking forward, the 7.5 percent target is expected to be attainable over the long term based on each system's strategic asset allocation policies. However, market returns can and will vary significantly from period to period. By retaining focus on risk diversification, both in terms of market exposures and active strategies, the agency seeks to attain the necessary returns while limiting the fluctuation in required employer funding rates on a year-to-year basis. However, in the current low interest rate environment with low return expectations for most asset classes, future portfolio returns may come under pressure.

# Employee and Retiree Benefits

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LOB #311:

## **RETIREMENT PLAN BENEFIT PAYMENTS**

### **Purpose**

This Line of Business includes all benefit payments to County retirees and their beneficiaries from the Employees' Retirement System, Uniformed Retirement System, and Police Officers Retirement System.

### **Description**

The benefit provisions of each retirement system are established by Fairfax County Code. Each system provides normal service retirement and early service retirement benefits for members who attain age or service requirements. Coverage for service-connected disability benefits is immediate upon membership in the system. Ordinary (non-service-related) disability benefits are provided after five years of service. Members are vested after five years of service and are eligible for benefits at the early or normal service retirement date.

The Board of Supervisors adopted several modifications to the retirement systems which apply only to new employees who are hired on or after January 1, 2013. These changes include increasing the minimum retirement age for normal service retirement from 50 to 55 in the Employees' system; increasing the rule of 80 (age plus years of service) to the rule of 85 in the Employees' system; placing a cap on the use of sick leave for purposes of determining retirement eligibility and benefits at 2,080 hours for all three retirement systems; and, for the Deferred Retirement Option Plan (DROP), removing the pre-Social Security supplement from balances accumulated during the DROP period in the Employees' and Uniformed systems. No changes were made to benefits for current employees.

Each system is funded from employee contributions based on a fixed percentage of pay, employer contributions based on a variable percentage of employee pay as determined by actuarial analysis, and return on investments. Some revenues are also generated through employee payback, a process by which employees who have left the County can make a "payback" contribution and return to their previous standing in the retirement system upon their return to County employment.

In order to assure the continued soundness of each fund, an actuarial valuation is conducted annually and, if appropriate, an adjustment is made to the employer contribution rate. The County has used a corridor approach to employer contributions since FY 2002. 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 is 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 to increase the amortization level of the unfunded liability from its original level of 90 percent to 95 percent in FY 2016. These increases 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 while still using a conservative 15-year amortization period.

# Employee and Retiree Benefits

## Benefits

Pension benefits are part of the total compensation package that helps the County attract and retain employees.

## Mandates

The Commonwealth of Virginia requires that jurisdictions either participate in the Virginia Retirement System (VRS) or establish their own retirement system. Jurisdictions that establish their own retirement system must provide benefits that are at least two-thirds of the benefits provided by VRS.

## Trends and Challenges

Employer contribution amounts can be volatile since they are dependent on investment returns that vary over time. This volatility is partially mitigated by the use of smoothed investment returns in the calculation of employer contribution levels. In addition, the size of system pension liabilities may increase at a faster rate than expected due to demographic trends and differences from assumptions used by the actuary to calculate the projected size of system liabilities. For example, as people live longer than expected, the size of the pension liability will grow faster than expected. Each system may also need to update its actuarial assumptions based on a 5-year experience study that will be completed in early 2016, impacting FY 2018 employer contribution rates. Changes in assumptions can increase the size of the pension liability.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #311: Retirement Plan Benefit Payments</b>			
<b>FUNDING</b>			
<b>Expenditures:</b>			
Operating Expenses	\$379,866,680	\$411,543,987	\$450,616,000
<b>Total Expenditures</b>	<b>\$379,866,680</b>	<b>\$411,543,987</b>	<b>\$450,616,000</b>
<b>Revenue:</b>			
General Fund Employer Contributions	\$147,192,484	\$159,956,954	\$177,051,412
Other County Employer Contributions	34,585,874	36,813,704	26,144,703
County Employee Contributions	43,994,752	43,953,559	44,183,301
School Employer Contributions	36,182,874	38,435,374	40,606,822
School Employee Contributions	8,853,934	8,980,091	9,131,453
Employee Payback	407,509	147,255	620,000
<b>Total Revenue</b>	<b>\$271,217,427</b>	<b>\$288,286,937</b>	<b>\$297,737,691</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	0 / 0	0 / 0	0 / 0
<b>Total Positions</b>	<b>0 / 0</b>	<b>0 / 0</b>	<b>0 / 0</b>

## Employee and Retiree Benefits

### Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Amortization level of unfunded liability	91%	91%	93%	95%	97%
<b>Employees' Retirement System</b>					
Employer contribution rate	19.05%	19.30%	20.18%	21.99%	22.91%
Employee contribution rate	4.00%/5.33%	4.00%/5.33%	4.00%/5.33%	4.00%/5.33%	4.00%/5.33%
<b>Uniformed Retirement System</b>					
Employer contribution rate	35.00%	36.43%	37.90%	38.83%	38.84%
Employee contribution rate	7.08%	7.08%	7.08%	7.08%	7.08%
<b>Police Officers Retirement System</b>					
Employer contribution rate	33.15%	33.87%	36.82%	37.98%	38.98%
Employee contribution rate	10.00%	10.00%	8.65%	8.65%	8.65%

The County has steadily increased the amortization level of the unfunded liability for all three retirement systems from 90 percent in FY 2010 to 95 percent in FY 2016. These increases will continue until 100 percent of the unfunded liability is being amortized. The actuarially determined employer contribution rates have increased as a result of the adjustments to the amortization level, though these increases have been moderated due to offsetting asset and liability gains. Employee contribution rates, which are set by Fairfax County Code, have remained unchanged for the Employees' and Uniformed systems. The employee contribution rate for the Police Officers system was reduced in FY 2015 by the Board of Supervisors from 10.00 percent to 8.65 percent.

# Employee and Retiree Benefits

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LOB #312:

## **SOCIAL SECURITY AND MEDICARE**

### **Purpose**

This Line of Business is part of the County's comprehensive array of employee benefit offerings.

### **Description**

Federal Insurance Contributions Act (FICA) taxes support Social Security and Medicare benefits. The County contributes the employer portion of the tax for eligible employees, at a rate of 6.20 percent of gross compensation up to the Social Security wage base for Social Security and 1.45 percent of gross compensation for Medicare. It should be noted that sworn police officers do not participate in Social Security, and therefore only the Medicare portion of the tax is paid for police officers.

### **Benefits**

Participating employees, their spouses, and their dependents are eligible for Social Security retirement, disability, and survivor benefits. Social Security benefits are integrated with the County's retirement systems. Retirees over the age of 65 are eligible for health insurance coverage under Medicare. Medicare provides primary coverage for these retirees, with the County health plans providing secondary coverage at a lower cost to the County.

### **Mandates**

Social Security and Medicare taxes are mandated under 26 U.S. Code Chapter 21 – Federal Insurance Contributions Act.

### **Trends and Challenges**

The total amount of County expenditures for Social Security and Medicare taxes fluctuates based on changes in the total compensation of County employees. These expenditures have increased and are expected to continue to increase due to annual compensation increases for employees.

# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #312: Social Security and Medicare</b>			
<b>FUNDING</b>			
General Fund Employer Contributions	\$43,033,539	\$44,455,054	\$48,361,442
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0 / 0	0 / 0	0 / 0
<b>Total Positions</b>	<b>0 / 0</b>	<b>0 / 0</b>	<b>0 / 0</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Social Security tax rate	6.20%	6.20%	6.20%	6.20%	6.20%
Medicare tax rate	1.45%	1.45%	1.45%	1.45%	1.45%

The FICA employer tax rate has remained stable at 7.65 percent, including the 6.20 percent tax for Social Security and the 1.45 percent tax for Medicare.

# Employee and Retiree Benefits

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LOB #313:

## **VIRGINIA RETIREMENT SYSTEM**

### **Purpose**

This Line of Business is part of the County's comprehensive array of employee benefit offerings.

### **Description**

In FY 1996, 233 Health Department employees were converted from state to County employment. These employees remained members of the Virginia Retirement System (VRS), and the County is required to pay employer contributions to VRS for retirement benefits provided to the converted employees. The number of County employees who are VRS members has declined 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. 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.

### **Benefits**

Retirement benefits are part of the total compensation package that helps the County attract and retain employees. VRS contributions are limited to a small group of employees that were converted from state to County employment. By allowing these employees to continue earning service credit in VRS, the County has provided an incentive for them to continue their careers with the County until retirement.

### **Mandates**

The Commonwealth of Virginia requires that jurisdictions either participate in VRS or establish their own retirement system. The County is required to pay employer contributions to VRS for those employees who were converted from state to County employment and remain members of VRS.

### **Trends and Challenges**

The number of County employees who are members of VRS is decreasing and is expected to continue to decline. However, this trend is offset by changes in the employer contribution rates, as the state has been moving gradually toward setting these rates at the level recommended by the VRS Board of Trustees.

# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #313: Virginia Retirement System</b>			
<b>FUNDING</b>			
General Fund Employer Contributions	\$454,534	\$529,000	\$652,055
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0 / 0	0 / 0	0 / 0
Total Positions	0 / 0	0 / 0	0 / 0

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Active County employees covered by VRS	52	47	46	44	40
VRS employer contribution rate	9.33%	11.42%	14.57%	16.46%	NA

The number of active County employees that are VRS members has decreased from 233 in FY 1996 to 46 in FY 2015. Participation is expected to continue to decline as more than half of these employees are currently eligible to retire, and many more are expected to become eligible over the next few years. There is an offsetting trend in the employer contribution rates, which have increased in recent years as the state moves toward full funding of the rates recommended by the VRS Board of Trustees.



# Employee and Retiree Benefits

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LOB #314:

## **RETIREE HEALTH**

### **Purpose**

This Line of Business is part of the County's comprehensive array of employee benefit offerings.

### **Description**

The County provides a retiree health benefit subsidy to eligible retirees to help pay for health insurance. The monthly subsidy commences at age 55 and varies by length of service as detailed in the following table. It should be noted that employees who retired prior to July 2003 receive a monthly subsidy equal to the greater of \$100 and the amounts below. The retiree health subsidy is provided to retirees on a discretionary basis, and the Board of Supervisors reserves the right to reduce or eliminate the benefit in the future if the cost of the subsidy becomes prohibitive or an alternate is chosen to aid retirees in meeting their health insurance needs.

<b>Retiree Health Benefit Subsidy</b>	
<b>Years of Service at Retirement</b>	<b>Monthly Subsidy</b>
5 to 9	\$30
10 to 14	\$65
15 to 19	\$155
20 to 24	\$190
25 or more	\$220

In addition to the retiree health benefit subsidy, County retirees benefit from an "implicit" subsidy by participating in the County's self-insured health plans. As premiums for the health plans are set using the blended experience of active employees and retirees, retiree premiums are lower than if they were set solely using the experience of the retiree group. The implicit subsidy to retirees is the differential between actuarial assumptions related to retiree claims and premiums and actual claims experience and premiums.

Beginning in FY 2008, the County's financial statements were required to implement Governmental Accounting Standards Board (GASB) Statement No. 45 for other post-employment benefits, which include the retiree health benefit subsidy and the implicit subsidy to retirees. This standard addresses how local governments should account for and report their costs related to post-employment health care and other non-pension benefits. Historically, the County funded these benefits on a pay-as-you-go basis. GASB 45 requires that the County accrue the cost of other post-employment benefits during the period of employees' active employment, while the benefits are being earned, and disclose the unfunded actuarial accrued liability to accurately account for the total future cost of post-employment benefits and the financial impact on the County. This funding methodology mirrors the funding approach used for pension benefits. A valuation is performed to calculate the County's actuarial accrued liability and the associated annual required contribution (ARC). The liability and ARC are calculated annually, and adjustments are made due to benefit enhancements, medical trend experience, and normal growth assumptions.

Fund 73030, OPEB Trust, was created to capture long-term investment returns and make progress towards reducing the unfunded actuarial accrued liability under GASB 45 and funds the cost of other post-employment benefits (OPEBs) including health care, life insurance, and other non-pension benefits offered to retirees, such as the County's retiree health benefit subsidy. Expenditures in this LOB encompass all expenditures of the OPEB Trust Fund, including the retiree health benefit subsidy, the implicit subsidy to retirees, and costs related to the administration of these benefits and the associated GASB 45 liability such as the annual actuarial valuation.

# Employee and Retiree Benefits

## Benefits

Retiree health benefits are part of the total compensation package that helps the County attract and retain employees. The retiree health benefit subsidy and implicit subsidy to retirees make health insurance more affordable for those retirees who elect to continue coverage with the County.

## Mandates

The County is not mandated to provide this benefit.

## Trends and Challenges

As increases in the cost of health care have historically outpaced inflation, the County will be challenged to continue to provide comprehensive and affordable health coverage to its retirees. One important step in meeting this challenge is the introduction of an Employer Group Waiver Plan (EGWP) in January 2016, which takes advantage of a more favorable rebate structure from the federal government and pharmaceutical manufacturers to lower the County's OPEB costs. The County will continue to pursue new strategies to provide retiree health benefits as the healthcare industry evolves.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #314: Retiree Health</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$86,603	\$87,716	\$90,450
Benefits	25,268	25,750	26,559
Operating Expenses	14,412,004	8,361,528	9,653,051
<b>Total Expenditures</b>	<b>\$14,523,875</b>	<b>\$8,474,994</b>	<b>\$9,770,060</b>
<u>Revenue:</u>			
CMS Medicare Part D Subsidy	\$1,172,895	\$1,308,470	\$1,000,000
Investment Income	46,435	37,598	50,000
Implicit Subsidy	6,446,000	0	0
Other Funds Contributions	4,321,540	3,415,606	3,476,866
Unrealized Gain/(Loss)	19,503,190	4,849,502	0
<b>Total Revenue</b>	<b>\$31,490,060</b>	<b>\$9,611,176</b>	<b>\$4,526,866</b>
<u>Transfers In:</u>			
Transfer In from General Fund	\$28,000,000	\$28,000,000	\$26,000,000
<b>Total Transfers In</b>	<b>\$28,000,000</b>	<b>\$28,000,000</b>	<b>\$26,000,000</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	1 / 1	1 / 1	1 / 1
<b>Total Positions</b>	<b>1 / 1</b>	<b>1 / 1</b>	<b>1 / 1</b>

## Employee and Retiree Benefits

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### Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
OPEB Annual Required Contribution	\$38.9m	\$30.5m	\$31.0m	\$13.3m	\$13.8m

While the OPEB ARC has generally trended upward, it has experienced large decreases in two recent years. In FY 2014, the ARC decreased significantly based on trends in claims experience, savings from the consolidation of the County's self-insured health plans to a single vendor, and decreased plan costs as a result of plan design changes. A second decrease occurred in FY 2016, as the implementation of EGWP allows the County to take advantage of larger federal subsidies and pharmaceutical manufacturer rebates that have a more favorable accounting treatment. Savings from the FY 2016 ARC decrease are expected to be realized as part of the *FY 2016 Third Quarter Review* and the FY 2017 Advertised Budget Plan.

# Employee and Retiree Benefits

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LOB #315:

## **HEALTH INSURANCE AND WELLNESS**

### **Purpose**

This Line of Business is part of the County's comprehensive array of employee benefit offerings.

### **Description**

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. For active employees, the County contributes 85 percent of the premium for all health plans for individual coverage and 75 percent of the premium for two-party or family coverage. Retirees receive a retiree health benefit subsidy as described in the Retiree Health LOB.

The LiveWell Workforce Wellness Program provides opportunities for employees to improve their overall health and well-being, while also serving to curb rising healthcare costs. The program includes subsidized membership fees at County RECenters, weight loss support, influenza vaccinations, and other wellness programming. The program also includes the Employee Fitness and Wellness Center (EFWC), which is located at the Government Center and provides employees and retirees with convenient access to cardiovascular and strength training equipment, as well as a variety of fitness classes, at a reasonable monthly rate. A Wellness Incentive Points Program gives employees the opportunity to earn up to \$200 in wellness rewards annually for engaging in certain wellness activities such as online health assessments, preventive exams, lifestyle management programs, and LiveWell events. Wellness rewards dollars are deposited into a flexible spending account or Health Savings Account at the beginning of the next plan year.

Additional programs include Flexible Spending Accounts and the Employee Assistance Program (EAP). Health and Dependent Care Flexible Spending Accounts are funded through voluntary employee contributions, with County expenditures limited to the cost of administering the program through a contract with an outside vendor. The EAP is available to employees through a contract with an outside vendor, providing assessment, intervention, diagnosis, referral, and follow-up for workplace issues as they arise.

### **Benefits**

Health insurance and wellness programs are part of the total compensation package that helps the County attract and retain employees. These programs provide employees and their families with affordable access to healthcare and encourage them to improve their overall health and well-being, which can have a positive impact on absenteeism.

### **Mandates**

The Patient Protection and Affordable Care Act (PPACA) requires that all permanent employees working 30 hours a week or more are offered minimum essential health insurance coverage.

# Employee and Retiree Benefits

## Trends and Challenges

Medical costs have historically increased at a rate that outpaces inflation, and the County will continue to employ strategies to mitigate cost growth. Recent initiatives have included the introduction of a Consumer-Directed Health Plan with a Health Savings Account and wellness programs offered through LiveWell that encourage employees to become and stay healthy. For more detailed information, please see the Benefits Administration LOB in the Department of Human Resources.

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #315: Health Insurance and Wellness</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Compensation	\$171,538	\$193,956	\$122,500
Benefits	45,852	64,128	20,648
Operating Expenses	153,543,823	163,249,339	185,875,318
Capital Equipment	0	273,548	10,000
<b>Total Expenditures</b>	<b>\$153,761,213</b>	<b>\$163,780,971</b>	<b>\$186,028,466</b>
<u>Revenue:</u>			
General Fund Employer Contributions	\$88,405,872	\$93,878,684	\$103,604,826
Other Employer Contributions	10,328,542	10,838,428	9,602,865
Employee Share of Premiums	29,930,039	31,647,733	34,369,810
Retiree Premiums	28,095,062	30,225,691	32,817,133
Interest Income	49,971	58,834	64,282
Administrative Service Charge / COBRA Premiums	569,426	439,396	496,936
Employee Fitness Center Revenue	58,822	58,310	54,084
<b>Total Revenue</b>	<b>\$157,437,734</b>	<b>\$167,147,076</b>	<b>\$181,009,936</b>
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0 / 0	0 / 0	0 / 0
<b>Total Positions</b>	<b>0 / 0</b>	<b>0 / 0</b>	<b>0 / 0</b>

## Employee and Retiree Benefits

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### Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Healthcare plan costs per employee	\$11,676	\$12,963	\$13,768	\$14,452	\$15,600
MotivateMe participation	NA	772	907	1,050	1,200

The cumulative impact of annual healthcare costs is reflected in the increase in total plan costs per employee per year (PEPY). Plan costs of \$9,731 PEPY in calendar year 2010 rose to \$13,416 by July 2015, representing a 37.9 percent increase for the period. Costs are increasing due to a myriad of reasons including the high rate of normal medical inflation, the reduced rate of prescription drugs coming off patent, the continued use of new Hepatitis C drugs, and the introduction of highly effective but very expensive cholesterol drugs recently approved by the FDA. Costs are partially held in check by plan design changes that affect utilization. These cost increases are not sustainable in the long term, and therefore efforts to contain healthcare costs include plan design changes that impact utilization, the addition of a Consumer-Directed Health Plan and efforts to grow participation in LiveWell.

The LiveWell program is aimed at helping County employees become and stay healthy. Two primary aspects of the LiveWell program are MotivateMe and online Health Assessments. Participation in both MotivateMe and online Health Assessments has increased steadily by 17.5 percent and 21.0 percent, respectively, from calendar year 2014 through July 2015. These numbers are at the higher end of the expected range of engagement. Efforts will continue to promote the program through creative marketing in order to raise awareness and drive up participation.

# Employee and Retiree Benefits

LOB #316:

## **DENTAL INSURANCE**

### **Purpose**

This Line of Business is part of the County's comprehensive array of employee benefit offerings.

### **Description**

Dental insurance is offered to County employees and retirees through a two-tiered preferred provider organization (PPO) plan with a nationwide network. The County contributes 50 percent of the premium for all eligible active employees that elect dental coverage.

### **Benefits**

Dental insurance is part of the total compensation package that helps the County attract and retain employees. Affordable access to dental care allows employees and their families to proactively address oral health concerns, reducing absenteeism.

### **Mandates**

The County is not mandated to provide this benefit.

### **Trends and Challenges**

Dental insurance expenses are expected to increase gradually as a result of annual premium changes and fluctuations in enrollment.

### **Resources**

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #316: Dental Insurance			
<b>FUNDING</b>			
General Fund Employer Contributions	\$3,583,459	\$3,803,699	\$4,074,366
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	0/0	0/0	0/0
Total Positions	0/0	0/0	0/0

# Employee and Retiree Benefits

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LOB #317:

## **PATIENT PROTECTION AND AFFORDABLE CARE ACT FEES**

### **Purpose**

This Line of Business consists of required taxes and fees established under the Patient Protection and Affordable Care Act (PPACA).

### **Description**

The County is currently responsible for paying two fees that were established under the PPACA: the Patient-Centered Outcomes Research Trust Fund Fee and the Transitional Reinsurance Fee. The Patient-Centered Outcomes Research Trust Fund Fee was first imposed in plan year 2013, and will expire in plan year 2018. It is calculated by multiplying the average number of lives covered by the plan by the applicable fee, which was \$2 in plan year 2013 and will increase each year to reflect inflation.

The Transitional Reinsurance Program Fee will be imposed for three years, beginning with plan year 2014 and ending in plan year 2016. The fee was \$63 per member in 2014 and is scheduled to decrease each year until the program ends.

### **Benefits**

The Patient-Centered Outcomes Research Trust Fund Fee helps to fund the Patient-Centered Outcomes Research Institute (PCORI). PCORI attempts to provide patients and doctors with the information they need to make better decisions by funding patient-centered comparative clinical effectiveness research and disseminating the results.

The Transitional Reinsurance Program is intended to reduce the impact of adverse selection on the individual market during the first few years following its implementation.

### **Mandates**

All expenditures in this Line of Business are mandated taxes and fees under the Patient Protection and Affordable Care Act.

### **Trends and Challenges**

While the two fees that are currently charged to the County are scheduled to sunset over the next few years, an excise tax on high cost health plans was also enacted as part of the Patient Protection and Affordable Care Act. This tax, commonly known as the "Cadillac tax", is calculated as forty percent of the value of health coverage that exceeds certain thresholds. The tax was originally slated to be charged beginning in 2018, but was recently delayed until 2020. The County is not expected to be impacted by this excise tax until 2021 or later. However, the County's tax liability will grow significantly over time as the excise tax is indexed to the consumer price index, which has historically lagged medical inflation.



# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #317: Patient Protection and Affordable Care Act Fees</b>			
<b>FUNDING</b>			
<u>Expenditures:</u>			
Benefits	\$25,370	\$956,715	\$1,052,000
Total Expenditures	\$25,370	\$956,715	\$1,052,000
Total Revenue	\$0	\$0	\$0
<u>Transfers In:</u>			
Transfer In from General Fund	\$1,600,000	\$1,000,000	\$0
Total Transfers In	\$1,600,000	\$1,000,000	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0/0	0/0	0/0
Total Positions	0/0	0/0	0/0

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Transitional Reinsurance fee per member	NA	\$63	\$44	\$27	NA

The largest driver of expenditure levels in this LOB has been the fee charged per member for the Transitional Reinsurance Program. The fee was initially set at \$63 for plan year 2014, and has decreased to \$27 for plan year 2016. As the fee is paid in two installments following the close of the plan year, the County's first payment was made in FY 2015 and its final payment is expected in FY 2018.

# Employee and Retiree Benefits

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LOB #318:

## **LINE OF DUTY**

### **Purpose**

Benefits provided under the Line of Duty Act support employees and volunteers in hazardous duty positions and their families in the event of a line of duty death or disability.

### **Description**

County employees and volunteers in hazardous duty positions and their families are provided with line of duty benefits in the event of a line of duty death or disability. A death benefit of \$100,000 is payable in the event of a death occurring as the direct or proximate result of performance of duty, and a death benefit of \$25,000 is payable in the event of a death during employment or within five years of retirement that is caused by a condition such as respiratory disease or heart disease that is presumed to be the result of hazardous duty. Disability benefits are awarded in the event that an employee or volunteer becomes permanently mentally or physically incapacitated as the direct or proximate result of performance of duty.

Disabled employees and volunteers, as well as the spouse and dependents of disabled and deceased employees and volunteers, are provided continuing health insurance coverage that is paid by the County. Coverage for employees, volunteers and their spouses is provided until death or until the beneficiary elects alternate health insurance coverage. Dependent coverage extends until the dependent's death, marriage, coverage by alternate health insurance, or twenty-first birthday. If the dependent is a full-time college student, coverage continues until the dependent is no longer a full-time student or until the dependent's twenty-fifth birthday.

### **Benefits**

This LOB assists disabled hazardous duty employees and volunteers and the families of disabled or deceased hazardous duty employees and volunteers.

### **Mandates**

This LOB is fully mandated by the Virginia Line of Duty Act. It should be noted that Line of Duty benefits were initially funded by the state. However, the state shifted the cost of these benefits to localities in FY 2011.

### **Trends and Challenges**

The total cost of Line of Duty benefits has been increasing and is expected to continue to increase. One factor contributing to this trend is the rising cost of healthcare. As this benefit includes County-funded health insurance, the cost of this benefit increases as the health insurance premiums increase. A second factor is the increasing number of individuals receiving benefits, as described in the Metrics section below. Eligibility for benefits is determined by the Virginia Department of Accounts, and the County is obligated to provide benefits to any individual that is determined to be eligible. Therefore, the County does not have the authority to directly impact the number of individuals that receive benefits.

# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #318: Line of Duty</b>			
<b>FUNDING</b>			
General Fund Employer Contributions	\$984,946	\$1,057,152	\$1,104,102
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	0/0	0/0	0/0
<b>Total Positions</b>	<b>0/0</b>	<b>0/0</b>	<b>0/0</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Families receiving Line of Duty health benefits	54	57	62	66	70

The number of Line of Duty beneficiaries has been climbing in recent years, and this trend is expected to continue. This is the result of new cases being determined to be eligible for benefits while few existing cases end as coverage continues until death for employees, volunteers, and their spouses.

# Employee and Retiree Benefits

LOB #319:

## **LIFE INSURANCE**

### **Purpose**

This Line of Business is part of the County's comprehensive array of employee benefit offerings.

### **Description**

Basic group life insurance coverage at a rate of one times salary for all County merit employees is funded solely through an employer contribution. Employees may elect to purchase optional coverage up to an additional four times salary. Employees are responsible for the cost of any optional coverage based on an age-banded premium rating scale.

### **Benefits**

Life insurance is part of the total compensation package that helps the County attract and retain employees.

### **Mandates**

The County is not mandated to provide this benefit.

### **Trends and Challenges**

Life insurance expenses are expected to continue to increase gradually as a result of annual compensation increases, premium changes and fluctuations in the number of County employees that are eligible for County-funded basic group life insurance coverage.

### **Resources**

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
LOB #319: Life Insurance			
<b>FUNDING</b>			
General Fund Employer Contributions	\$1,400,693	\$1,439,962	\$1,440,445
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0/0	0/0	0/0
Total Positions	0/0	0/0	0/0

# Employee and Retiree Benefits

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LOB #320:

## **UNEMPLOYMENT COMPENSATION**

### **Purpose**

Unemployment compensation taxes fund employment insurance provided by the Virginia Employment Commission.

### **Description**

Unemployment compensation taxes are paid to the Virginia Employment Commission based on the actual number of former County employees filing claims.

### **Benefits**

Employer taxes under the Virginia Unemployment Compensation Act support temporary financial assistance to unemployed workers.

### **Mandates**

The expenditures in this LOB are fully mandated under the Virginia Unemployment Compensation Act.

### **Trends and Challenges**

Unemployment compensation tax payments fluctuate based on changes in the number of former County employees that file claims.

### **Resources**

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #320: Unemployment Compensation</b>			
<b>FUNDING</b>			
General Fund Employer Contributions	\$184,835	\$247,956	\$274,794
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	0/0	0/0	0/0
Total Positions	0/0	0/0	0/0

# Employee and Retiree Benefits

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LOB #321:

## **EMPLOYEE DEVELOPMENT INITIATIVES / TUITION REIMBURSEMENT**

### **Purpose**

Countywide training programs provide learning and development opportunities to increase the capacity of individuals, teams, and organizations.

### **Description**

Countywide training programs are administered by the Organizational Development and Training Division (OD&T) of the Department of Human Resources and by the Department of Information Technology (DIT), with funding budgeted in Agency 89, Employee Benefits. OD&T training programs include all FOCUS training as well as courses that promote leadership and learning for the entire workforce. Developmental programs range from customer service and effective communication skills to conflict resolution and project management. For additional information on OD&T training programs, please see the Line of Business for Organizational Development and Training in the Department of Human Resources. Technology-related training provided by DIT is offered in recognition of the challenges associated with maintaining skills at the same pace as technology changes.

Additionally, the County funds the employee Tuition Assistance Program (TAP) and Language Tuition Assistance Program (LTAP). Tuition reimbursement is available to merit employees who successfully complete coursework that is related to a current or future position with the County and is taken through an accredited U.S. institution. Employees must earn a grade of “C” or above or receive a certificate of satisfactory completion in order to be eligible for reimbursement. The maximum reimbursement amount per fiscal year for full-time merit employees is \$1,300.

### **Benefits**

Countywide training programs provide opportunities for employees to develop the knowledge and skills that are critical to employee success.

### **Mandates**

This Line of Business is not mandated.

### **Trends and Challenges**

A major trend in training is an increase in the use of technology. It is anticipated that the County training program will migrate to a “blending” concept that combines e-learning and classroom learning. Additionally, training must be flexible to meet the needs and learning styles of the multiple generations that now make up the County workforce.

# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #321: Employee Development Initiatives / Tuition Reimbursement</b>			
<b>FUNDING</b>			
<b>General Fund Expenditures</b>	<b>\$1,039,803</b>	<b>\$1,223,829</b>	<b>\$1,532,850</b>
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<b>Positions:</b>			
Regular	0 / 0	0 / 0	0 / 0
<b>Total Positions</b>	<b>0 / 0</b>	<b>0 / 0</b>	<b>0 / 0</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Participation in DHR training	11,588	10,776	18,235	18,500	18,500
Cost of training per employee	\$142	\$96	\$95	\$95	\$95
Percent of employees indicating they will apply what they learned	94%	97%	95%	96%	96%

For a full discussion of these training metrics, please see the Line of Business for Organizational Development and Training in the Department of Human Resources.

# Employee and Retiree Benefits

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LOB #322:

## **EMPLOYEE AWARDS**

### **Purpose**

Employee awards recognize outstanding employee, manager, and team performance.

### **Description**

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. Additional countywide award programs include the A. Heath Onthank Award, the Employee Advisory Council's Don Smith Award, and length of service awards.

### **Benefits**

Award programs boost employee morale and motivation.

### **Mandates**

This Line of Business is not mandated.

### **Trends and Challenges**

Cash awards were reinstated in FY 2014 after being eliminated in FY 2010 as part of reductions necessary to balance the budget.



# Employee and Retiree Benefits

## Resources

Category	FY 2014 Actual	FY 2015 Actual	FY 2016 Adopted
<b>LOB #322: Employee Awards</b>			
<b>FUNDING</b>			
General Fund Expenditures	\$40,415	\$206,910	\$215,000
Total Revenue	\$0	\$0	\$0
<b>POSITIONS</b>			
Authorized Positions/Full-Time Equivalents (FTEs)			
<u>Positions:</u>			
Regular	0 / 0	0 / 0	0 / 0
<b>Total Positions</b>	<b>0 / 0</b>	<b>0 / 0</b>	<b>0 / 0</b>

## Metrics

Metric Indicator	FY 2013 Actual	FY 2014 Actual	FY 2015 Actual	FY 2016 Estimate	FY 2017 Estimate
Number of countywide awards given	NA	1,620	1,820	2,004	2,250

The number of countywide awards given has trended upward in response to increased managerial attention to incentivizing and rewarding employees through the award program.