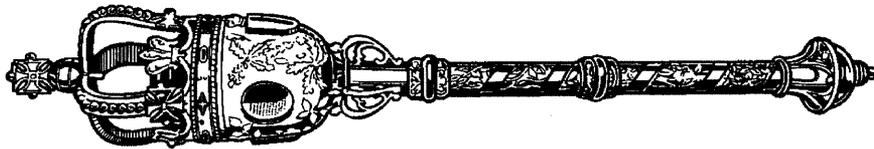


*Report of the
House Appropriations
Subcommittee*

on

Compensation & Retirement



House Bill 1650

February 4, 2007

REPORT OF THE SUBCOMMITTEE
on
COMPENSATION AND RETIREMENT

Mr. Chairman and Members of the Committee:

The work of this Subcommittee has focused on recognizing the value of the Commonwealth's classified employees as well as our state-supported local employees which include constitutional officers, local social service employees, registrars, and local community services board employees, by providing them appropriate salary increases. I am pleased to present to you today a series of amendments that support these goals.

Mr. Chairman, as you know, the budget we enacted during last year's session included funding for a three percent salary increase for state employees, effective November 25, 2007. The number one priority of the Subcommittee was to support funding for an additional one percent salary increase for these hard working state and state supported local employees.

All of us have heard that the salaries of government employees lag behind salaries in the private sector. We believe that an additional salary adjustment is vital to the Commonwealth's ability to retain and attract the quality employees that are essential to the efficient operations of state government.

To that end, Mr. Chairman, the Subcommittee recommends an additional \$16.9 million, which combined with the funding approved last year, will fund a four percent salary increase effective November 25, 2007, for state employees and December 1, 2007, for state-supported local employees.

In addition, we examined proposals to provide targeted salary adjustments to several specific occupations. Specifically, we recommend targeted salary increases for correctional officers at the Department of Corrections and the Department of Juvenile Justice

and salary increases for employees in our public defenders offices, general district courts and nursing faculty in higher education. These salary adjustments are needed to help address the high turnover rate in these occupations.

The Subcommittee also spent a significant amount of time examining proposals to enhance retirement and benefits for law enforcement officers. Our recommendations include \$2.3 million in the second year to increase the retirement allowance for state police officers and \$3.8 million in funding to localities as an incentive for them to provide enhanced retirement benefits to their sheriff's deputies and jail officers.

Mr. Chairman, during our meetings we heard numerous pieces of legislation requesting us to make significant modifications to our retirement benefits and policies. As you know, the Joint Legislative Audit and Review Commission has recently authorized a comprehensive study of the Commonwealth's compensation and benefits package.

Accordingly, our Subcommittee has been hesitant to approve significant changes to our benefits package until JLARC has had an opportunity to conduct their study and present their findings. However, there were two specific pieces of legislation which we felt were significantly important and thus should be acted on at this time.

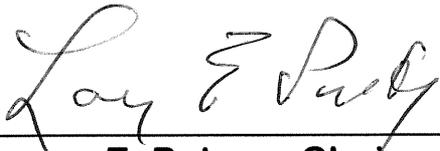
As Delegate Tata will address in the Elementary and Secondary Education Subcommittee report, we have recommended an increase in the retiree health credit for Virginia's retired teachers to the same level as that of retired state employees. In addition, we have endorsed legislation designed to increase enrollment in the state employee deferred compensation program which is designed to supplement the standard Virginia Retirement System.

Finally, Mr. Chairman, I would like to take this opportunity to thank the members of this Subcommittee for their hard work this Session, especially given the large number of retirement bills that were heard. The Subcommittee reviewed each bill with a long-term

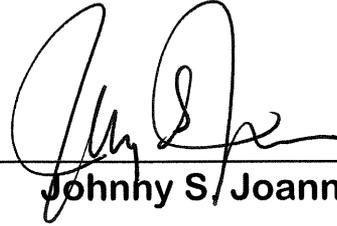
view of the out-year costs. It is critical that this long-term view be taken as we continue to face the challenges of an aging workforce and as we continue to balance the needs of the Commonwealth as a whole. Furthermore I view this stewardship as vital since we must address a retirement system that is currently actuarially funded at less than 85 percent of its projected liabilities.

Mr. Chairmen and fellow Committee members, I will ask staff to take you through our detailed recommendations, and then I hope it will be your pleasure to adopt our Subcommittee report.

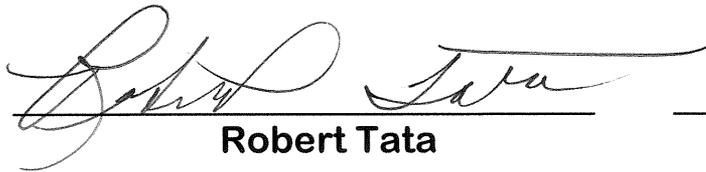
Respectfully Submitted by the House Appropriations Subcommittee
on Compensation & Retirement:



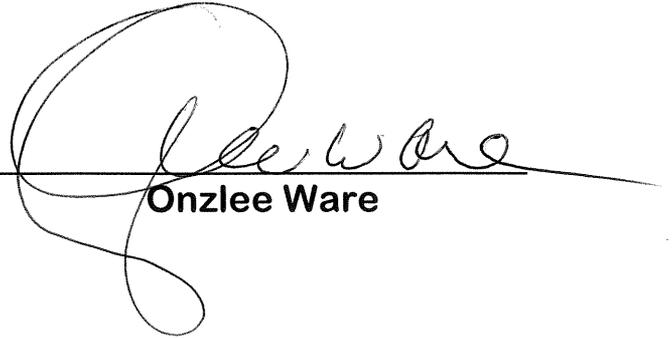
Lacey E. Putney, Chairman



Johnny S. Joannou



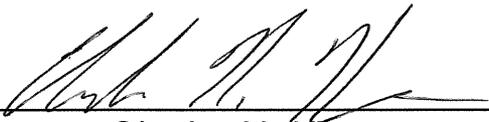
Robert Tata



Onzlee Ware



Riley E. Ingram



Clarke N. Hogan

BUDGET AMENDMENT RECOMMENDATIONS

<u>Amendment</u>

2006-08 BIENNIAL TOTAL		
General Fund	Nongeneral Fund	FTE

Compensation & Retirement

HB 1650

General Assembly

Adjust Salary Ranges for Directors of Legislative Bodies	Language
Adjust Salary Range, Clerk of the House and Senate	Language

Division of Legislative Services

Salary Adjustment for DLS Staff	237,096
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Supreme Court of Virginia

Additional Salary Increase for Judicial Employees	3,188,498
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Court of Appeals of Virginia

Appeals Chief Judge Salary	Language
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Indigent Defense Commission

Adjust Funding for Salary Increases in Public Defenders Offices	(123,500)
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Compensation Board

Strike LEOS grant Language in HB 1650	(11,500,000)
Enhanced Contribution Rate for LEOS Participants	3,800,000
Adjust Funding for Salary Increase for Commonwealth Attorneys	(13,759)

Department of Accounts

Adjust Funding for Salary Increases for Accountants	(88,691)
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Department of Corrections

Adjust Funding for Salary Increases for Corrections Officers	(1,231,446)
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Department of Juvenile Justice

Adjust Funding for Salary Increases for Corrections Officers at DJJ	(139,783)
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Central Appropriations

Additional One Percent Salary Increase for State Employees	16,861,390
Funding for House Bill 1830	150,000
Adjust Funding for Other Post Employment Benefits	(2,214,490)
Adjust Salary Funding Model for Impact on DMHMRSAS Facilities	Language
Clarify Local Criminal Justice Svs Employee Reference	Language

Virginia Retirement System

Authorize VRS reimbursements for Cost of JLARC Study		415,000
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Part III/IV

Amend Language Related to Agency Head Salaries	Language
Benefits Under Law Enforcement Retirement Systems	Language

HB 1650 SUBTOTAL

	8,925,315	415,000	0
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Legislative Department

General Assembly Of Virginia

Language

Language:

Page 8, after line 56, insert:

"H. Notwithstanding the salaries set in Items 2, 3, 5, 6, and 21, the Committee on Joint Rules may establish salary ranges for such agency heads consistent with the provisions and salary ranges included in Item 4-6.016 of this act."

Explanation:

(This amendment authorizes the Committee on Joint Rules to revise the salary ranges for the Auditor of Public Accounts, the Executive Director of the Virginia Alcohol Safety Action Program, the Director of the Division of Legislative Automated Services, the Director of the Division of Legislative Services, and the Director of the Joint Legislative and Audit Review Services consistent with the general provisions of the act.)

Legislative Department

General Assembly Of Virginia

Language

Language:

Page 8, after line 56, insert:

"H. Notwithstanding the salaries listed in Item 1, paragraph B.2 of this act, the Speaker of the House may establish a salary range for the Clerk of the House of Delegates.

2. Notwithstanding the salaries listed in Item 1, paragraph B.3 of this act, the Senate Joint Rules Committee may establish a salary range for the Clerk of the Senate."

Explanation:

(This amendment authorizes the Speaker of the House to adjust the salary range for the Clerk of the House of Delegates and the Senate Joint Rules Committee to establish a salary range for the Clerk of Senate.)

Judicial Department

Court Of Appeals Of Virginia

Language

Language:

- Page 23, line 15, strike "\$142,248" and insert "\$144,248".
- Page 23, line 16, strike "\$147,898" and insert "\$149,898".
- Page 23, line 18, strike "\$152,305" and insert "\$154,305".
- Page 23, line 27, strike "\$1,000" and insert "\$3,000".

Explanation:

(This amendment adds language authorizing an increase in the salary of the Chief Judge of the Court of Appeals. This increase was enacted by the 2006 General Assembly (Chapter 218), but was inadvertently omitted in the enrolling of Chapter 3, Acts of Assembly of 2006 and in House Bill 1650, as introduced.)

Compensation - Retirement Subcommittee

Item 59 #8h

Administration

FY 06-07

FY 07-08

Compensation Board

\$0

(\$11,500,000) GF

Language:

- Page 46, line 51, strike "\$382,352,519" and insert "\$370,852,519".
- Page 50, strike line 52 through 55.
- Page 51 strike line 1 through 31.

Explanation:

(This amendment strikes the language in the introduced budget to provide a grant to localities that participate in LEOS of between \$600 and \$1,825 per sheriff's deputy and officer, jail officer, and jail superintendent in a state supported position. Item 59 #9h provides language and funding to provide an enhanced contribution rate for localities and jail authorities that provide LEOS benefits).

Compensation - Retirement Subcommittee

Item 59 #9h

Administration

FY 06-07

FY 07-08

Compensation Board

\$0

\$3,800,000 GF

Language:

Page 46, line 51, strike "\$382,352,519" and insert "\$386,152,519".

Page 50, after line 51, insert;

"L.1. Included in the appropriation for this item is \$3,800,000 the second year from the general fund for payments to counties, cities, regional jails, and regional jail authorities that provide to sheriff's deputies and officers, jail officers, and jail superintendents those benefits described under (i) § 51.1-138 B, Code of Virginia, (ii) § 51.1-217, Code of Virginia, or (iii) any system that offers comparable benefits. A county, city, regional jail, or regional jail authority shall be eligible to receive payments if it provides such benefits as of May 1, 2008. The Compensation Board shall provide an enhanced retirement contribution rate of the lesser of either the localities rate as approved by the Virginia Retirement System or 7.77 percent, for each of the following positions approved by the Compensation Board and supported with state funds: sheriff's deputy and officer, jail officer, and jail superintendent.

2. For any locality that has not yet elected to provide benefits described under the provisions of § 51.1-138 B, Code of Virginia, a county, city, regional jail, or regional jail authority shall have the option of providing retirement benefits to sheriff's deputy and officer, jail officer, and jail superintendent pursuant to § 51.1-206, Code of Virginia (the State Police Officers Retirement System), or pursuant to benefits provided under § 51.1-217, Code of Virginia (the Virginia Law Officers' Retirement System).

3. For any locality that currently offers or chooses in the future to offer retirement benefits under the provisions of § 51.1-206, Code of Virginia, as stated in paragraph 2., shall have the option as to whether or not they wish to offer the increased retirement multiplier included under Item 473.F of this act."

Explanation:

(This amendment provides \$3.8 million from the general fund in the second year to increase the maximum retirement contribution rate reimbursed by the compensation board from 5.74 percent to 7.77 percent for these specific positions if the locality, regional jail, or regional jail authority provides LEOS or LEOS equivalent benefits to these employees.)

Compensation - Retirement Subcommittee

Item 386 #2h

Public Safety

Department Of Corrections

FY 06-07

\$0

FY 07-08

(\$1,231,446) GF

Language:

Page 413, line 42, strike "\$857,045,953" and insert "\$855,814,507".

Page 414, line 51, strike "\$7,388,675" and insert "\$6,157,325".

Page 414, line 54, strike "\$1,200" and insert "\$1,000".

Page 415, line 1, strike "\$600" and insert "\$500".

Explanation:

(This amendment adjusts the lump sum salary adjustment provided to correctional officers in the introduced budget from \$1,200 to \$1,000 to reflect the additional 1% salary increase for all classified state employees that is included under item 461 of this act.)

Compensation - Retirement Subcommittee

Item 406 #3h

Public Safety

FY 06-07

FY 07-08

Department Of Juvenile Justice

\$0

(\$139,783) GF

Language:

Page 431, line 44, strike "\$88,172,186" and insert "\$88,032,403".

Page 432, line 33, strike "\$838,696" and insert "\$698,913".

Page 432, line 36, strike "\$1,200" and insert "\$1,000".

Page 432, line 37, strike "\$600" and insert "\$500".

Explanation:

(This amendment adjusts the lump sum salary adjustment provided to correctional officers at the Department of Juvenile Justice in the introduced budget from \$1,200 to \$1,000 to reflect the additional 1% salary increase for all classified state employees that is included under item 461 of the act.)

Compensation - Retirement Subcommittee

Item 461 #1g

Central Appropriations

Central Appropriations

Language

Language:

Page 495, line 47, after "boards," insert:

"local pretrial services act and comprehensive community corrections act employees,".

Page 496, strike lines 3 and 4.

Explanation:

(This amendment is a technical correction to clarify that local pretrial services act and comprehensive community corrections act employees supported by the Department of Criminal Justices Services are included in the list of state-supported local employees that will receive a salary increase funded by state general fund dollars as appropriated in Item 461 of this act.)

Compensation - Retirement Subcommittee

Item 461 #7h

Central Appropriations

FY 06-07

FY 07-08

Central Appropriations

\$0

\$150,000 GF

Language:

Page 491, line 10, strike "\$275,864,471" and insert "\$276,014,471".

Page 499, after line 11, insert

"R. Out of the amounts appropriated for Supplements to Employee Benefits, \$150,000 from the general fund the second year is appropriated for the estimated increase in participation in the Commonwealth's deferred compensation plan pursuant to House Bill 1830."

Explanation:

(This amendment provides \$150,000 from the general fund in the second year to fund the impact of House Bill 1830. Under House Bill 1830 the deferred compensation plan offered to employees of the Commonwealth will become an opt-out program beginning January 1, 2008. New employees will automatically be enrolled in the program unless they opt out (choose not to participate) within the first 90 days of their employment. Under terms of the bill, if the employee does not actively choose to opt out of the program or select a contribution amount, the default will be for the employee to contribute \$20 per pay period and the Commonwealth will provide a \$10 per pay period match.)

Compensation - Retirement Subcommittee

Item 461 #8h

Central Appropriations

Central Appropriations

Language

Language:

Page 499, after line 23, insert:

"R. Effective July 1, 2007, the Department of Planning and Budget shall work with the Department of Mental Health, Mental Retardation, and Substance Abuse Services (DMHMRSAS) and the Department of Medical Assistance Services to incorporate the impact of state salary increases to reflect the appropriate general fund match required to adequately reimburse DMHMRSAS for the increased salary cost incurred at the state-operated training centers and state-operated hospitals that serve geriatric clients. The calculations shall incorporate general fund costs that are attributable to positions whose salaries are largely funded through Medicaid reimbursements to the facilities."

Explanation:

(This amendment requires the Department of Planning and Budget to update the methodology that is used to estimate the fiscal impact of employee pay raises to include the impact of increased Medicaid costs that will be incurred at state-owned mental health and mental retardation facilities.)

Compensation - Retirement Subcommittee

Item 461 #9h

Central Appropriations	FY 06-07	FY 07-08	
Central Appropriations	\$0	(\$2,214,490)	GF

Language:

Page 491, line 10, strike "\$275,864,471" and insert "\$273,649,981".

Page 497, line 26, strike "\$4,130,984" and insert "\$2,923,080".

Page 497, line 51, strike "\$7,046,104" and insert "\$6,463,469".

Page 498, line 62, strike "\$3,304,786" and insert "\$2,700,834".

Page 499, line 2 strike "and the"

Page 499, strike line 3 and 4.

Page 499, after line 23, insert;

"R. The Board of the Virginia Retirement System shall assume a return of investment of eight percent, a cost of living of two and a half percent, and an amortization period of 30 years when producing an actuarial valuation of the state employee group life insurance, the Virginia Sickness and Disability program, and the state employee retiree health credit."

Explanation:

(This amendment adjusts funding provided for changes in the contributions rates for the state employee group life insurance, the Virginia Sickness and Disability program, and the state employee retiree health credit and mandates that the Virginia Retirement System assume an eight percent rate of return when producing the

actuarial valuation of these programs.)

Compensation - Retirement Subcommittee

Item 475 #1h

Independent Agencies

FY 06-07

FY 07-08

Virginia Retirement System

\$0

\$415,000 NGF

Language:

Page 512, line 29, strike "\$23,129,963" and insert "\$23,544,963".

Page 512, after line 43, insert:

"B. Out of the amounts appropriated in this item, the Director is authorized to reimburse the Joint Legislative Audit and Review Commission (JLARC) up to \$415,000 the second year for the contractual services cost incurred in the review the benefit programs administered by the Virginia Retirement System as part of JLARC's study of state employee compensation."

Explanation:

(This amendment provides authority for VRS to reimburse JLARC for the cost of contractual services in support of the JLARC study of state employee compensation. The study and reported must be submitted by October 30, 2008.)

Compensation - Retirement Subcommittee

Item 4-6.01 #1g

Positions and Employment

Employee Compensation

Language

Language:

Page 647, line 61, strike "\$103,289" and insert "\$119,942".

Page 647, line 62, strike "\$106,388" and insert "\$123,540".

Page 648, line 6, strike "\$121,458" and insert "\$103,289".

Page 648, line 7, strike "\$125,102" and insert "\$106,388".

Page 648, line 18, strike "\$106,259" and insert "\$119,942".

Page 648, line 19, strike "\$109,447" and insert "\$123,540".

Page 650, strike lines 48 through 50.

Page 650, line 57, strike "\$85,764" and insert "\$94,340".

Page 650, line 58, strike "\$88,337" and insert "\$97,170".

Page 650, line 65, strike "\$82,779" and insert "\$70,279".

Page 650, line 66, strike "\$85,262" and insert "\$72,387".

Page 651, strike lines 4 through 6.

Page 651, line 27, strike "\$81,761" and insert "\$80,000".

Page 651, line 28, strike "\$84,214" and insert "\$82,400".

Page 651, line 53, strike "\$139,701" and insert "\$146,943".

Page 651, line 54, strike "\$143,892" and insert "\$151,351".

Page 652, line 45, strike "\$165,513" and insert "\$184,525".

Page 652, line 46, strike "\$170,748" and insert "\$190,061".

Explanation:

(This amendment makes corrections and updates to various agency head salaries.)
