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**Joint Legislative Audit and Review Commission**



**Review of Compensation for  
State Employees**

Justin Brown, JLARC

Compensation and Retirement Subcommittee,  
House Appropriations Committee,  
January 17, 2008



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# Study Mandate

- On November 13, 2006, the Commission authorized JLARC staff to study compensation for employees of the Commonwealth
  - Determine appropriate mix of salaries and benefits
  - Identify alternative benefits for employees
  - Assess defined benefit, defined contribution, and hybrid retirement plans
  - Assess the provisions and requirements of each retirement system managed by VRS
  - Compare State employee total compensation to other public and private employers



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# 2007 Referred Legislation

- 20 bills referred to JLARC study by House Appropriations Committee during 2007 session
  
- Major topics include:
  - Increase multiplier
  - Defined contribution plan
  - Return-to-work
  - VaLORS membership and provisions
  - Higher education faculty ORP



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# Total Compensation

- Cash Compensation
- Other Financial Benefits
  - Health insurance
  - Retirement
- Leave and Other Work / Life Balance Flexibilities



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# Major Study Research Issues

- Achieving purposes of compensation
- Current / long-term financial concerns or opportunities
- Agency or employee satisfaction
- How Virginia's total compensation compares to others
- Potential options for change



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## JLARC Staff Assisted by Two Consulting Firms

- Mercer has been hired to help conduct analysis of total compensation
- PricewaterhouseCoopers has been hired to help conduct retirement-specific analysis
- Requested tasks include
  - Best practices and trends
  - Assessment against purposes
  - Identifying potential change options and assessing impact

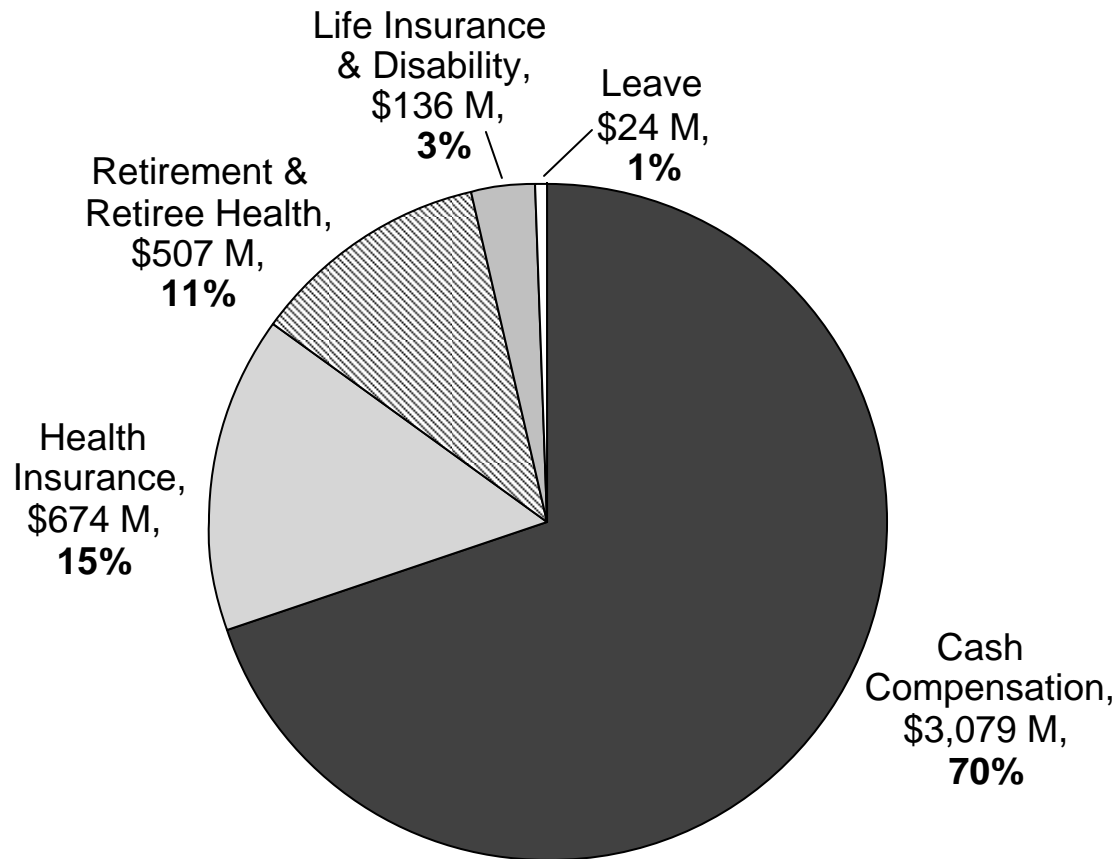


# Study Timeline

<b>Research Activity</b>	<b>Timeframe</b>
Review literature	Ongoing
Interview employees, employee groups, and agency staff	Ongoing
Analyze State and local data	Ongoing
Survey all State employees	Early 08
Receive consultant deliverables on best practices, assessment, analysis / comparison, and impact	Early, Mid 08
Identify final list of potential change options	Mid 08
Analyze projected impact of potential changes	Mid 08
Write final report	Mid 08
Brief Commission and release final report	October 08



# Spending on Classified State Employee Compensation = \$4.77 Billion (FY 2007)



Source: *Datapoint*, Virginia Auditor of Public Accounts, 2007.





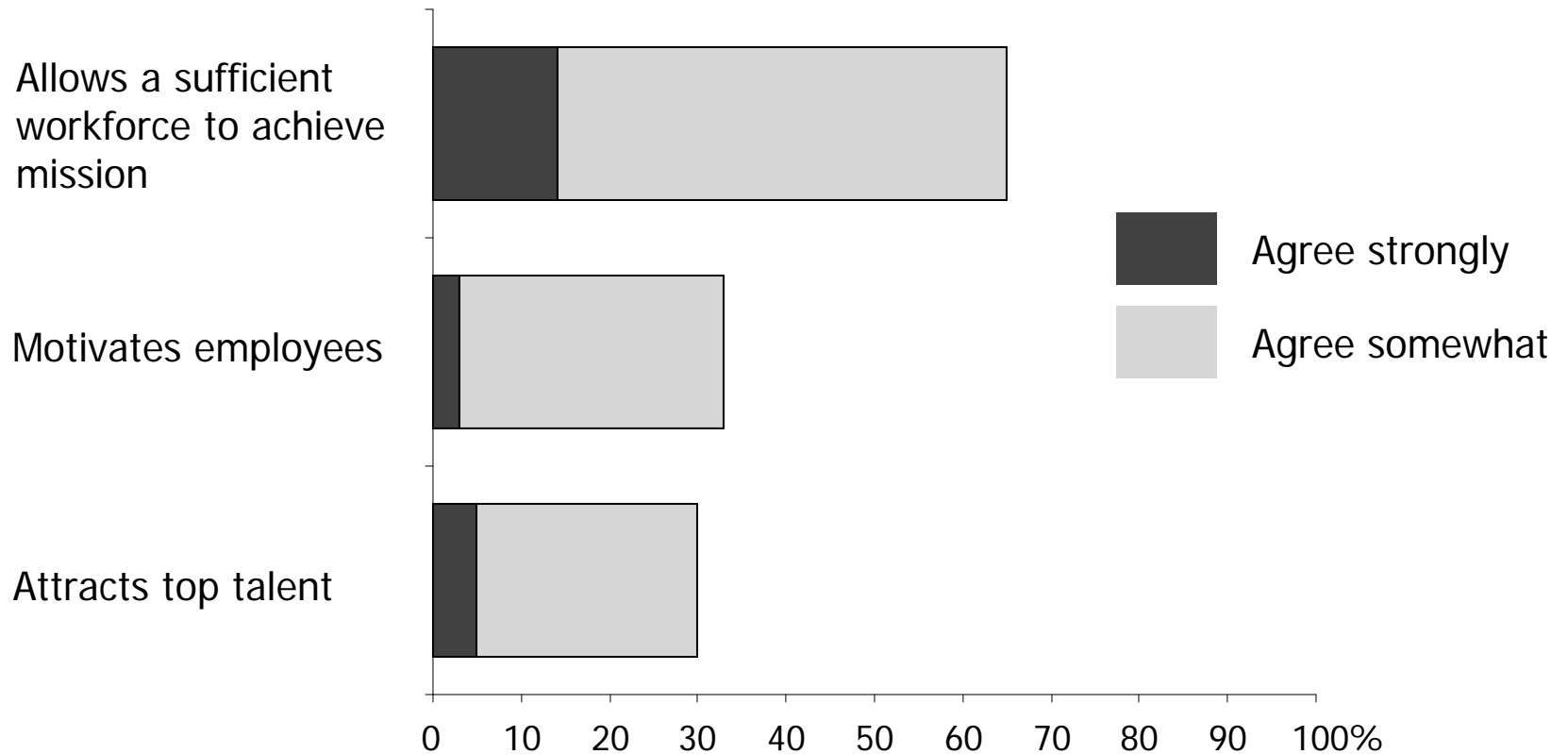
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# Classified State Employee Turnover

- Overall State agency turnover rate was 13% (2006)
- Higher in certain agencies and for certain jobs
- 2/3 of turnover among employees with < 5 years service
- Compensation not reason for all turnover
  - Salary is primary reason for about 1/3 of those leaving (JLARC survey of employees who leave)



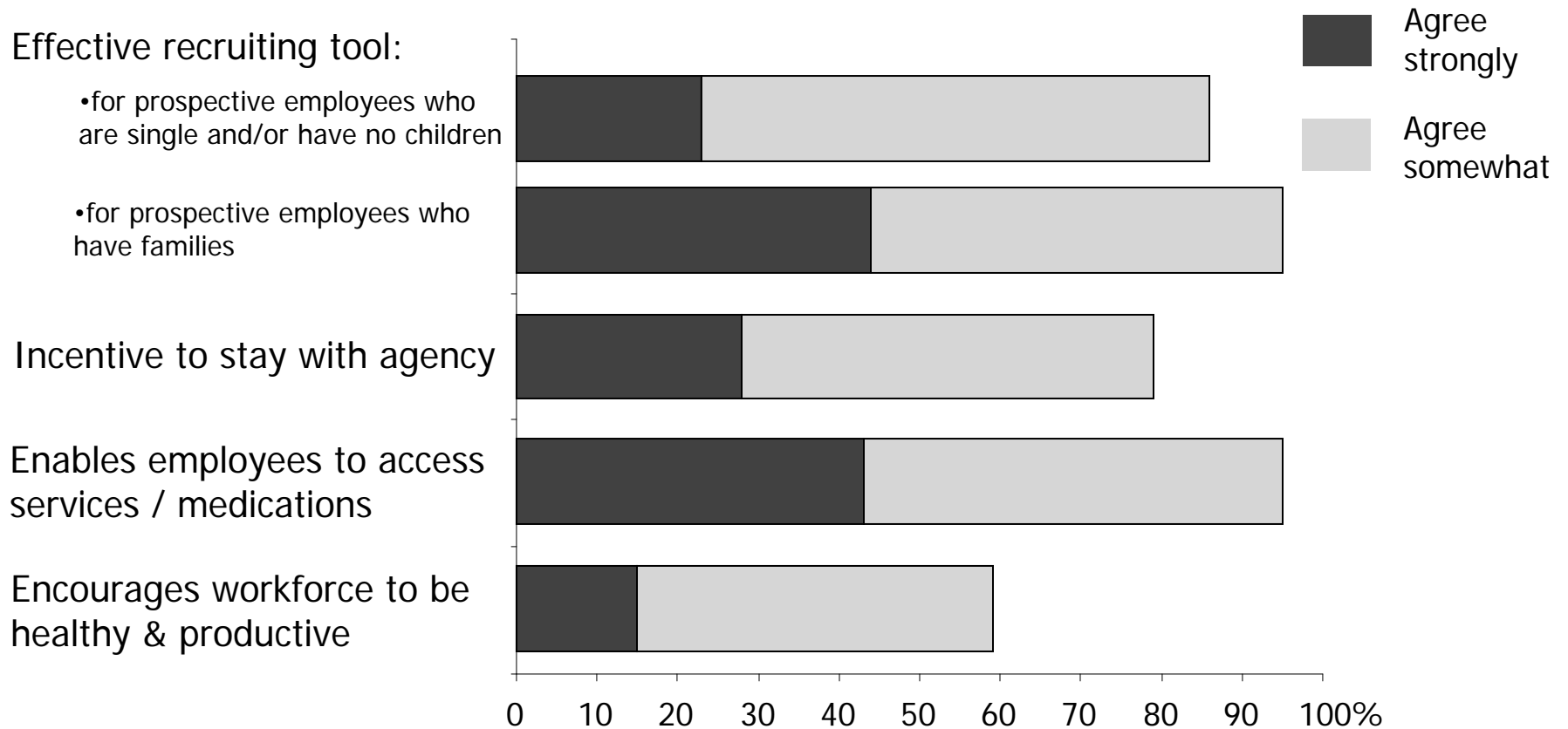
# Total Compensation Allows Sufficient Workforce, But Falls Short at Motivating and Attracting Top Talent



Source: *JLARC Staff Survey of State Agencies About Total Compensation, 2007.*



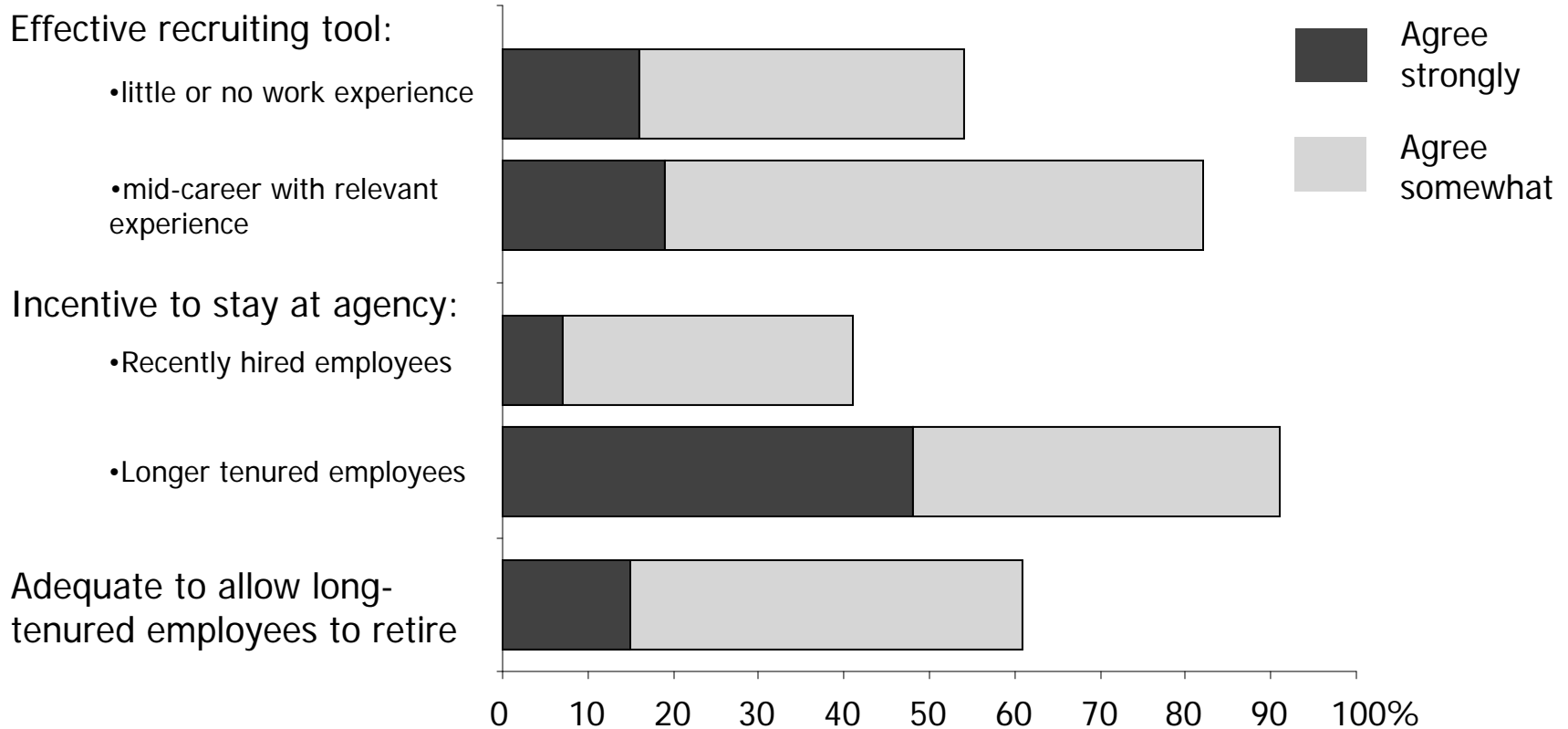
# Health Benefits Effective Recruiting / Retention Tool and Enable Access; Encourage Health to Lesser Extent



Source: *JLARC Staff Survey of State Agencies About Total Compensation, 2007.*



# Retirement Effective Recruiting / Retention Tool for Mid-Career and Longer Tenured Employees



Source: *JLARC Staff Survey of State Agencies About Total Compensation, 2007.*



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# Additional Retirement Observations

- Average retirement age (non-law enforcement) of persons currently retired under VRS is about 60
- Increase in health premiums during retirement is area of concern



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# Broad Compensation Themes Provide Context for Potential Change Options

- Compensation must balance employer and employee perspective
- Varied State workforce and evolving preferences challenge “one-size-fits-all” approach
  - Wide ranging missions
  - Comprehensive occupations and skillsets
  - Importance of compensation elements changes over time



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## Broad Compensation Themes Provide Context for Potential Change Options (continued)

- Current and future workforce is different from previous
  - Baby boomers hold 10.5 jobs in their lifetime (BLS, 2006)
  - Increase in % of population over age 65 still working (U.S. Census, 2007)
  
- Public compensation systems need prudent, long-term approach



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## For More Information

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