

Virginia Governmental Employees Association



Presentation to the House Appropriations
Compensation and Retirement Subcommittee
January 24, 2008

Virginia Governmental Employees Association

2008 Legislative Agenda

- Provide salary increases to state employees that will allow them to at least maintain their current purchasing power through:
 - An across the board increase in both years of the 2008-2010 biennial budget that will, at a minimum, match the Consumer Price Index and offset any potential increases in state health insurance premiums.
 - Pay practices funding for agencies of 1% of payroll so that the issues of recruitment, retention and salary compression may continue to be addressed.
- Increase the health insurance credit for retirees from the current \$4 per month per year of service.
- Maintain VRS as a defined benefit plan and resist efforts to convert to a defined contribution plan.
- Strengthen the VRS Deferred Compensation Program (DCP) by increasing the Virginia Cash Match Plan to \$50 per pay period from the current \$20 per pay period.
- Closely monitor and provide guidance to JLARC for their continuing compensation study which is scheduled to be completed in October 2008. An end goal of this study should be to reinstitute and institutionalize an ongoing study of critical issues relating to the state workforce, similar to the State Workforce Commission or “Holland Commission.”
- Provide open enrollment to allow non-participating state employees to convert to the Virginia Sickness and Disability Plan (VSDP).

Across the Board “Maintenance” Salary Increase

- November 2005 DHRM figures showed 17.35% gap in state employee salaries compared to private sector counterparts
- 2006 General Assembly approved 4% (+ ½% pay practices) salary increase for 11/2006; despite this increase, DHRM figures showed state employees fell further behind private sector in salaries (18.5%)
- 2007 General Assembly approved 4% salary increase for 11/2007
- Governor’s proposed budget provides no salary increase for 2008; 3% across the board increase on July 1, 2009

Across the Board “Maintenance” Salary Increase

- Following state employee salary freezes of 80’s and 90’s, General Assembly acted aggressively to make up lost ground:
 - 8.6% increase FY 84; 9.0% increase FY 85
 - 6.79% increase FY 94
- Following most recent freezes of FY 02 and FY 03, similarly aggressive actions have not occurred, allowing private sector salary gap to widen
- Cash Compensation vs. Total Compensation
 - Cash compensation is actual cash paid in salaries, wages and bonuses, thus a truer value to the *employee*
 - Total compensation is cash compensation, plus the value to the *employer* of all employee benefits, which may or may not be of value to the employee
- Across the Board vs. Performance Based
 - ATB recipients must still “meet expectations” in their job performances
 - Performance based programs have neither been adequately funded nor administered to inspire employee confidence; salary gap must first be addressed for all employees before new performance based efforts attempted

Increase Retiree Health Care Credit

- 2006 General Assembly removed years of service cap on retiree health care credit for state retirees
- This action helped state employees with over 30 years of service, \$4 per month for each extra year of service
- However, under current rates in effect, the day an employee retires, their monthly out of pocket cost for family coverage increases from \$147 to \$1,182
- HB 317 has been introduced to increase credit from \$4 to \$6 per month for each year of service

Keep VRS as Defined Benefit Plan

- As a defined benefit plan, VRS has long offered assurances to state employees that their retirement benefits were reliable and predictable, with a formula set by statute
- Efforts to shift VRS into a defined contribution plan could take away that assurance and leave employees, especially those nearing retirement, vulnerable to the fluctuations of the stock market and investment vehicles chosen to provide the retirement income stream
- Not one single employee group has expressed support for the concept of transitioning VRS into a defined contribution plan
- HB 128 has been introduced to create defined contribution plan; VGEA opposes

Strengthen Deferred Compensation Program by Increasing Cash Match Plan to \$50 Per Pay Period

- Existing deferred compensation plan allows state employees to voluntarily contribute a portion of their income and the Commonwealth is authorized to match per pay period, the lesser of \$50 or 50% of what the employee contributes to the plan, “*unless otherwise determined by the General Assembly through the appropriations process*”
- Currently the Commonwealth is matching employee contributions at a level of \$20 per pay period

JLARC Study of Compensation for Employees of the Commonwealth

- JLARC is halfway through a comprehensive two year study of the entire system of compensation for state employees
- Such a study was long overdue and similar reviews of such scope have not been undertaken since the State Workforce Commission (Holland Commission) of the 1990's
- VGEA supports the comprehensive review being conducted by JLARC and is working closely with staff to ensure that state employee interests and concerns are heard
- VGEA also seeks a reinstatement and institutionalization of an ongoing study of critical issues relating to the state workforce, similar to the State Workforce Commission or "Holland Commission."

Open enrollment to allow non-participating state employees to convert to the VSDP

- Current sickness and disability plan became effective January 1, 1999 for new state employees; those hired before January 1, 1999 were given incentive options to convert from old sick leave system to the VSDP
- General Assembly passed legislation in 2002 that converted non-participating employees into the VSDP unless they opted out, again with incentive for converting unused sick leave balances
- Some state employees are still non-participants in the VSDP and carry unused sick leave balances; however VGEA has heard from a number of employees who wish to now convert to the VSDP
- SB 316 has been introduced to provide an open enrollment period for non-participating state employees to convert to the VSDP