

Commission on Employee Retirement Security & Pension Reform

Overview of Recommendations

Compensation

1. FY 2018 State Employee Pay Raises

The General Assembly should prioritize funding for the previously scheduled state employee pay raises in Fiscal Year 2018 as it considers budget amendments to the 2016-2018 biennial budget. The three percent salary increase for FY18 should be fully funded by the General Assembly.

2. Total Compensation Study

The Joint Legislative Audit and Review Commission should undertake a total compensation study to determine the total value of all forms of compensation provided to state employees including cash compensation, the value of healthcare, retirement, leave, and other flexible benefits. The study should also (i) compare the total compensation state agencies provide to what is provided by other large employers seeking to recruit and retain employees with the same skills and competencies; (ii) conduct research about how best to recruit, retain, motivate, and facilitate work / life balance for employees; and (iii) identify cost-effective approaches that could be used to ensure agencies are able to employ an effective workforce. JLARC should procure the services of consultants to conduct the study. JLARC should complete its work and submit the study to the Commission on Employee Retirement Security and Pension Reform no later than November 30, 2017.

3. Occupationally Based Data Subscription

The General Assembly should appropriate necessary funds for the Department of Human Resource Management to subscribe to Occupationally Based Data Services focused on total compensation and evaluation of peer employers. This tool will enable DHRM to analyze and compare State compensation data for its annual report to the General Assembly and for ongoing compensation studies. This tool has not been purchased since 2009 due to budget reductions. The cost estimate is \$20,000 for FY2017.

Retirement

1. Adopt a Formal Stress Testing Policy

The Virginia Retirement System (VRS) should adopt a policy to develop and report sensitivity and stress test analysis on a regular basis, including projections of pension costs, liabilities and debt reduction under different economic and investment scenarios.

2. Modify the Hybrid Plan to Improve Default Retirement Savings

The Virginia legislature should adopt VRS' suggested changes to the current hybrid plan, to increase the default level of contributions into the DC component and accelerate automatic periodic increases in worker contribution (auto-escalation) based on HB 1072 (2016).

3. Create an Optional Defined Contribution Plan for New Hires

The Virginia legislature should consider creating an optional defined contribution (DC) plan similar to the existing Optional Retirement Plan for Political Appointees (ORPPA) for new hires beginning in 2018.

4. Further Improve Investment Transparency and Reporting Policy

VRS should adopt a formal policy to continue providing the VRS investment policy online and including 20- and 25-year investment performance data in regular reporting.

5. Report Investment Performance and Carried Interest Fees

VRS should adopt a formal policy to report performance and carried interest fees for private equity and other alternative investments regularly.

Workforce

1. Employee Marketing & Recruitment Plan

The Department of Human Resource Management should develop a comprehensive marketing and recruitment plan to help attract and retain qualified state employees. The plan should define the state's brand, present a complete picture of the employee experience, and demonstrate the professional and personal benefits of becoming a state employee. The plan should focus on attracting qualified employees with the appropriate skills and experience who are committed to long-term public service. The plan should utilize modern public relations and marketing strategies to reach the target audience.

2. Employee Surveys

- A. Annual Employee Satisfaction Survey: The Department of Human Resource Management should conduct an annual survey of state employees to determine employee satisfaction in key areas including but not limited to their job role and responsibilities, compensation and benefits, professional development and personal growth, workplace environment and experience, and department and agency management and leadership. The Department should produce a report for the Governor and the General Assembly annually, and each agency should receive a report on the results of the survey annually.*
- B. Employee Exit Survey: The Department of Human Resource Management should develop a centralized exit survey for all state employees leaving employment with a state agency. The Department would contract with a third party to administer 5,000 - 10,000 exit surveys per year. The third party administrator would annually report back meaningful data to DHRM, including a priority ranking of the reasons why employees are leaving state government and where they are going. Nothing like this currently exists on a centralized and useful basis. The cost is estimated at \$75,000 GF annually.*

3. Agency Head Human Resources Training

Each state agency head should be required to participate in a human resources training program upon appointment, and then at intervals of at least once every four years. The training program, to be developed and managed by the Department of Human Resource Management, should serve to

familiarize agency heads with state human resource policies including general policies, compensation management, benefits administration, training, succession planning, and the resources available at DHRM.

4. Study Job Skills & Locations

The Commission on Employee Retirement Security & Pension Reform should commission a comprehensive study of state employee positions in each region of the Commonwealth and the skills of potential employees in each region. This study would be funded from the Department of Human Resource Management's 2016-2018 appropriation for the Commission. Further discussion and refinement of this general recommendation by the Retirement Reform Commission is suggested by the working group.

5. Agency Succession Plans

Each agency of state government should develop and annually update agency succession plans for key personnel, executive positions, and for employees nearing retirement. Those plans should be submitted to the Director of the Department of Human Resource Management.

6. Support for Compensation Reform

The Workforce Working Group voiced its support for recommendations of the Compensation Working Group aimed at addressing compensation issues for state employees. Compensation reform is an essential element of any attempt to improve workforce-related issues.