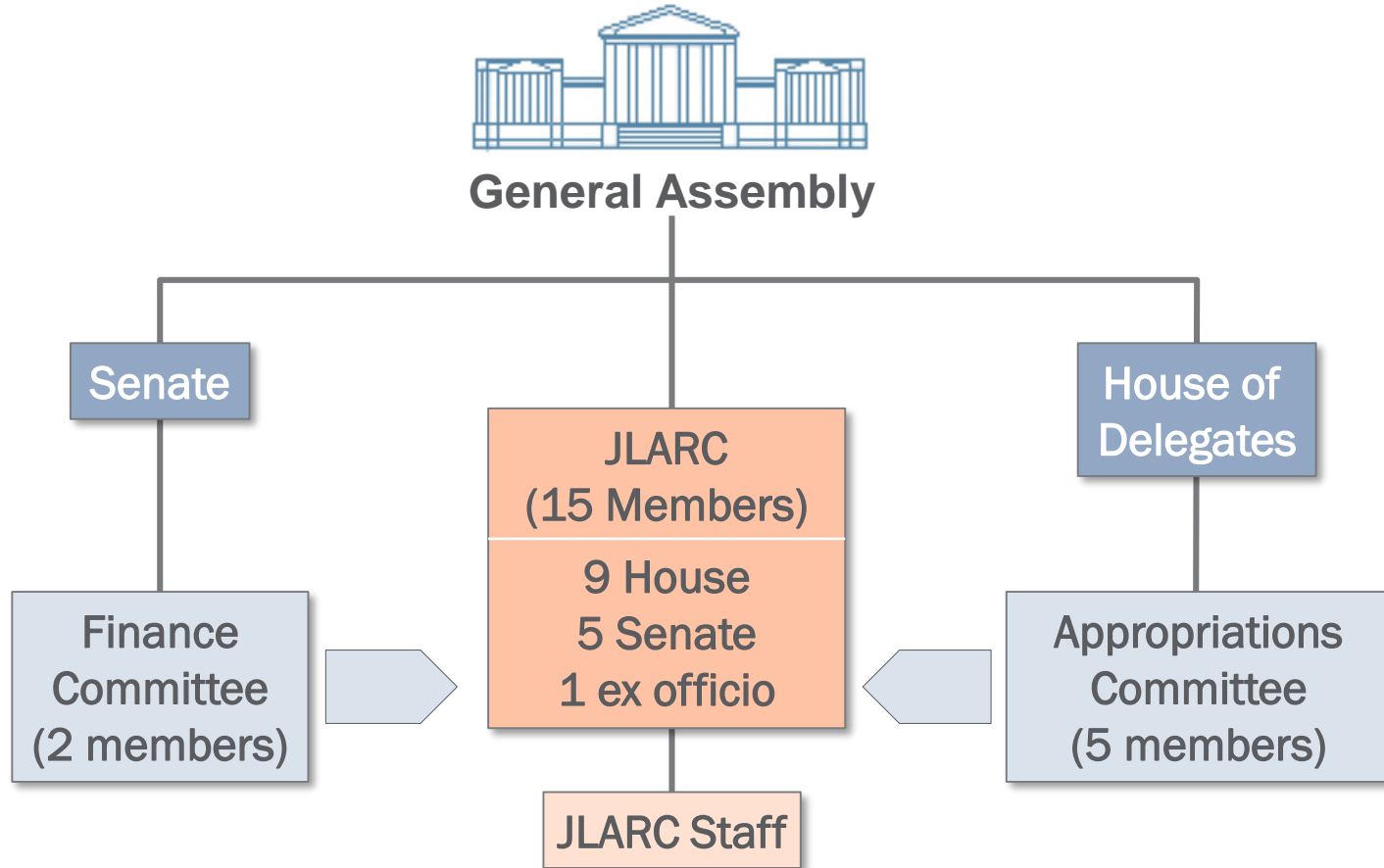




Prior JLARC studies of state employee salaries & benefits

JLARC is a joint commission with 15 members



2016 JLARC members

Delegate Robert D. Orrock, Sr., Chair

Senator Thomas K. Norment, Jr., Vice-Chair*

Delegate David B. Albo

Senator Ryan T. McDougle

Delegate M. Kirkland Cox

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Senator Frank M. Ruff, Jr.*

Delegate S. Chris Jones*

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Delegate R. Steven Landes

Martha Mavredes, Auditor of

Delegate James P. Massie III*

Public Accounts (Ex-Officio)

**Also member of Commission on Employee Retirement Security & Pension Reform*

JLARC conducts evaluations of state agencies and programs, and oversight

- Informs policy makers
- Ensures government programs comply with legal authority and funds are used appropriately
- Enhances performance of agencies and programs
- Improves effectiveness of services to citizens
- Produces cost savings and efficiencies

General Assembly designates topics for evaluation by JLARC

- Typical process is through a Joint Resolution of House or Senate
- Periodically directed through other means (Appropriation Act, Resolution of the Commission)

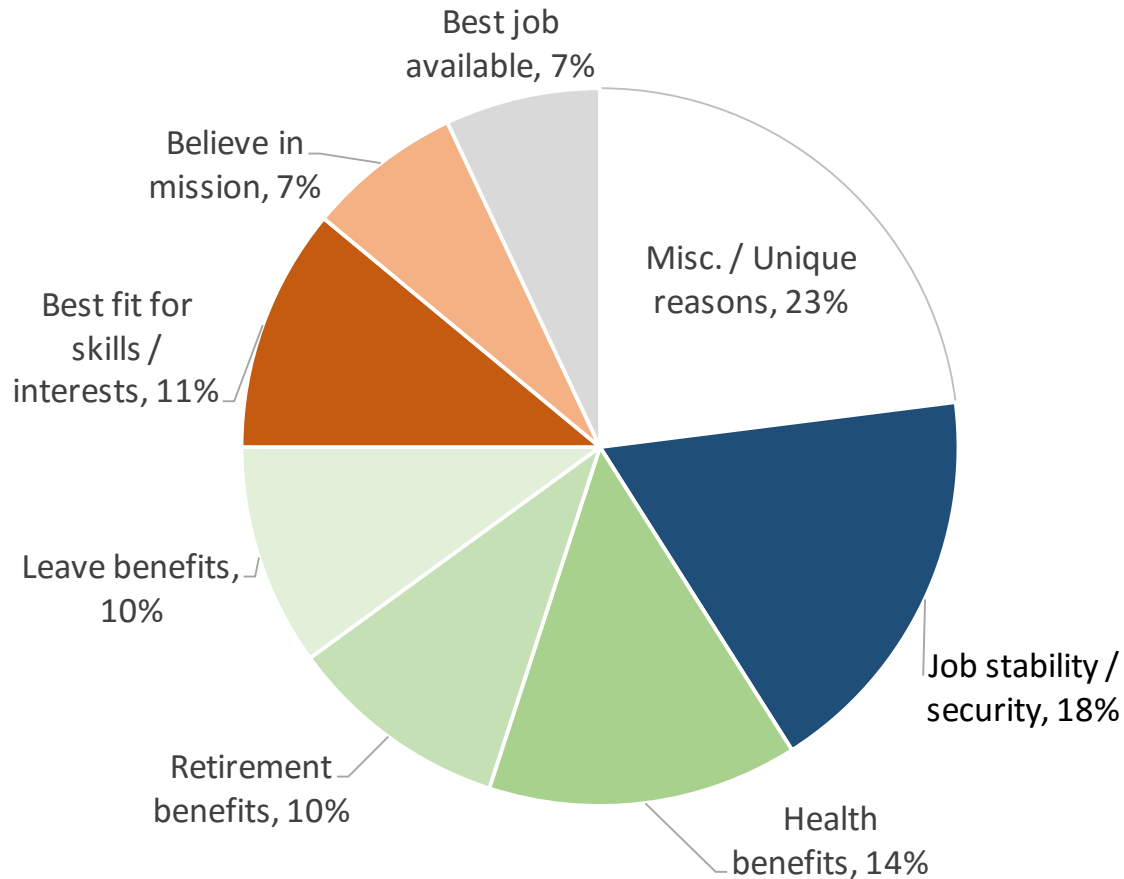
Agenda

- 2008 study
- 2011 study
- Lessons learned

Key Findings from 2008 JLARC study

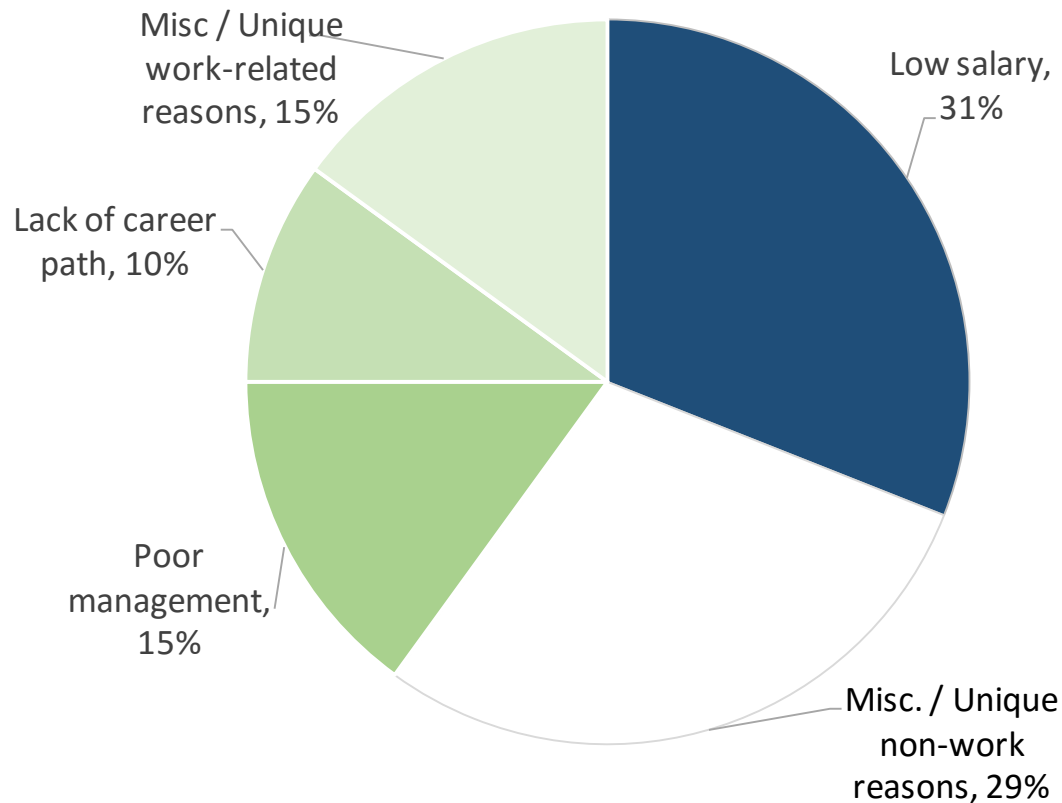
- Total compensation is an important, but not the only, factor that influences recruiting & retention
- State's total compensation was 96% of market median
- More strategic and data-driven approach needed to managing total compensation

Employees chose state service for a variety of reasons, including job stability and benefits



Source: JLARC staff survey of classified state employees, 2008.

Employees left state service for a variety of reasons, including low salary and poor mgmt



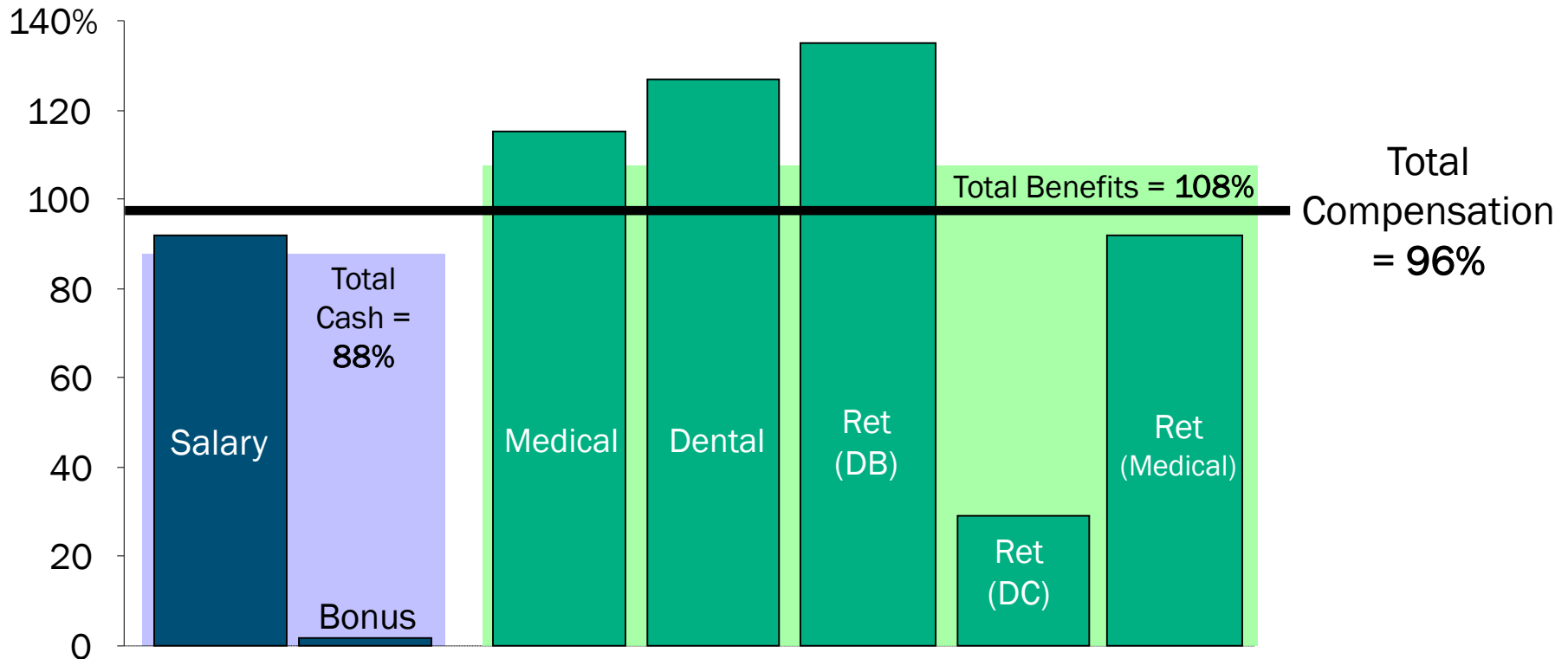
Source: JLARC staff survey of employees who left state employment, FY 2008.

Salary mattered most among aspects of total compensation, but importance varied by age

- Salary was most important aspect of total compensation for employees of all age groups
 - 4x more important than second most important aspect (health insurance)
 - Less important as employees got older
- Retirement plan was less important for younger employees
 - 7x more important for employees 61 to 65 than for employees under age 26
- Work / life balance was 6x more important for employees under age 26 than for those age 61 to 65

Mercer: Virginia's cash compensation was below, but benefits were above, the market median (2008)

% of Market Median



Mercer: Competitiveness varied by job type

Range of Competitiveness (% of Market Median)	# of Job Roles in Range	% of Total Job Roles Benchmarked
<90%	7	16.3%
90% - 110%	23	53.5
>110%	13	30.2

- Job roles with above-average turnover tended to receive less competitive total compensation

Agency requests for salary increases often lacked information to assess need for funds

- Reviewed FY 2009 agency budget decision packages requesting salary increases
- Most packages did not sufficiently address
 - Whether purposes of salary (recruit, retain, motivate) were being achieved
 - How salaries & benefits compared to other employers
 - Impact of the agency's inability to achieve purposes

2008 JLARC recommendations

- Annual total compensation statement for each employee
- Develop total compensation strategy
- Create compensation advisory council
- Create additional structure within job roles
- Require budget decision packages requesting salary increases to address purpose, comparison, & impact

Agenda

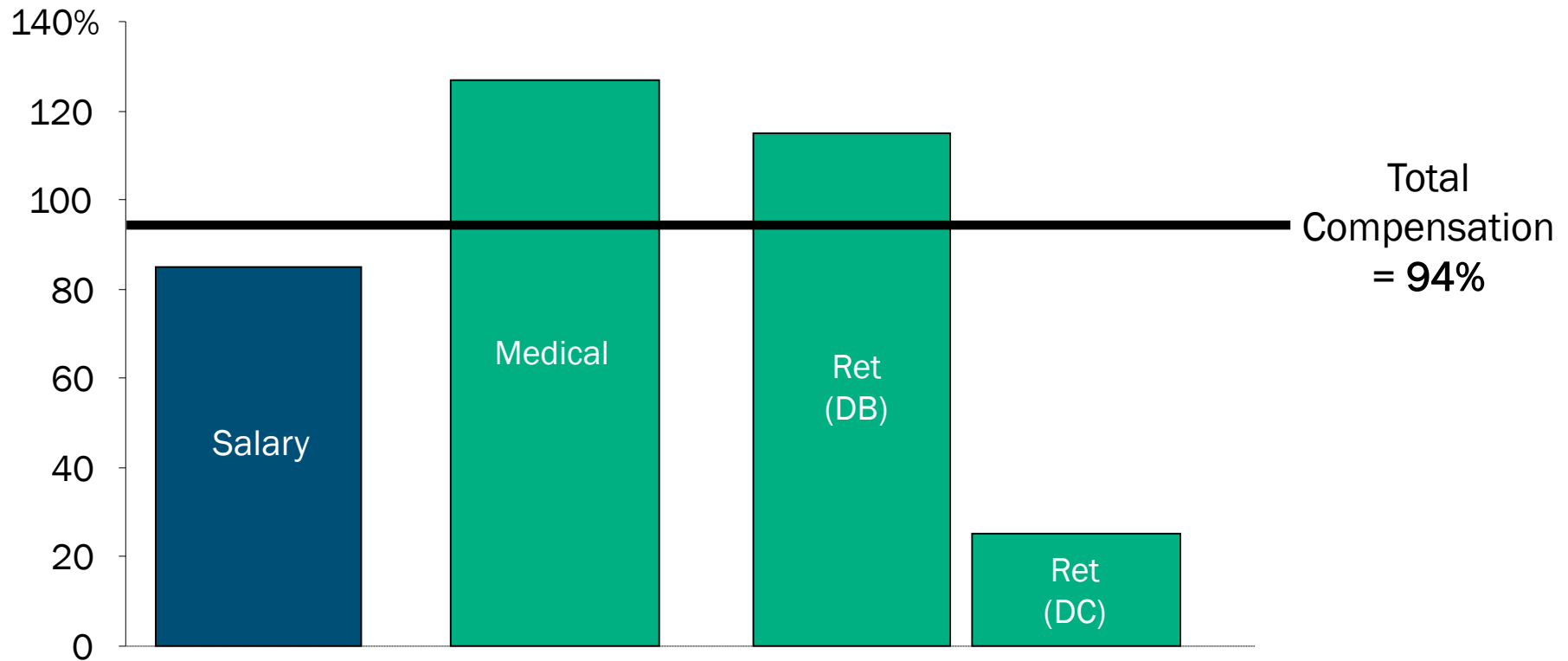
- 2008 study
- 2011 study
- Lessons learned

Key Finding from 2011 JLARC study

- State's total compensation had fallen to 94% and 90% of market median

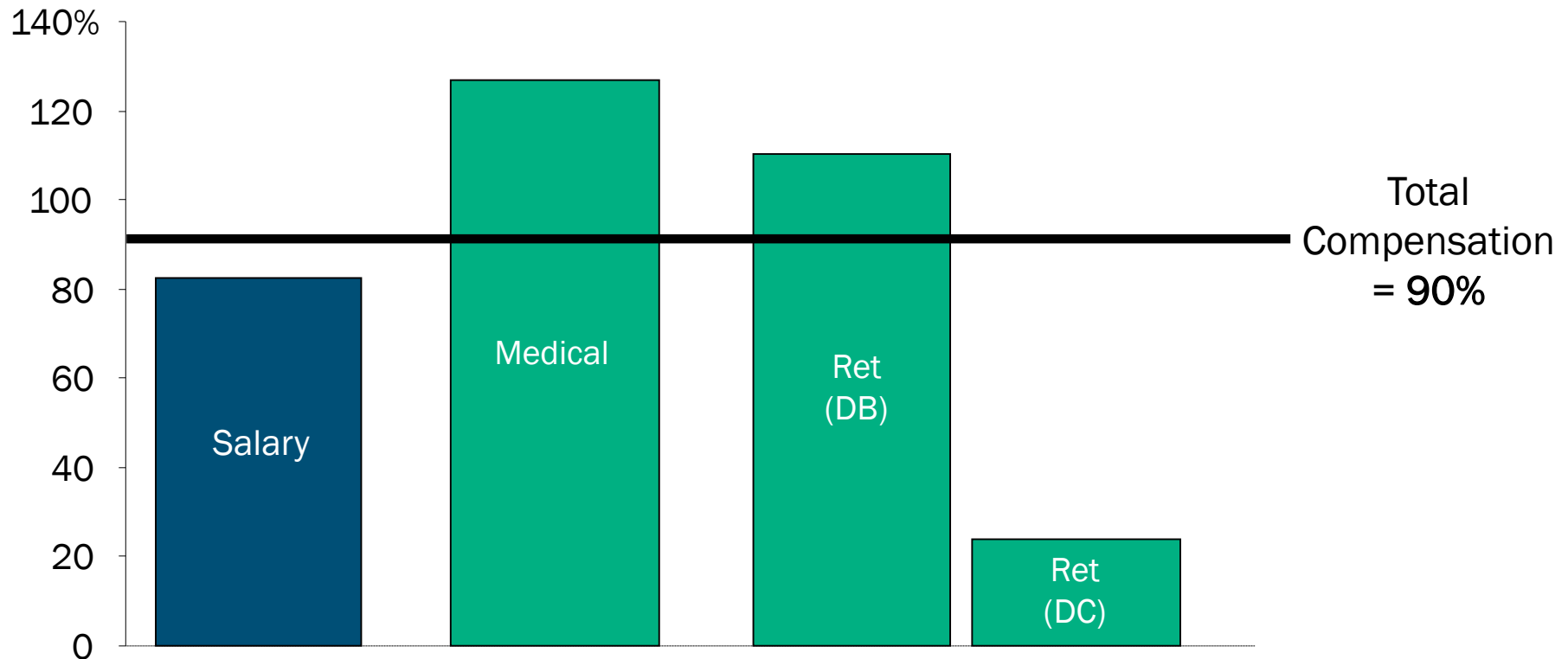
Mercer: Total compensation for VRS Plan 1 employees was 94% of market (2011)

% of Market Median



Mercer: Total compensation for VRS Plan 2 employees was 90% of market (2011)

% of Market Median



Total compensation has continued to evolve since completion of 2011 JLARC study

- In 2011, Mercer partially attributed state competitiveness to the defined benefit retirement plan
- Further changes made to retirement plans since completion of study, most notably the hybrid retirement plan
- No comprehensive benchmarking performed since implementation of hybrid retirement plan

Agenda

- 2008 study
- 2011 study
- Lessons learned

Analytical rigor, comprehensiveness, & specificity matter when comparing salaries & benefits

- JLARC contracted with Mercer human resources consulting for both 2008 and 2011 studies
- Rigorous methodology to monetize and compare benefits across employer types
- Comprehensive access to data on public and private sector employer salaries and benefits
- Job and employer-specific, rather than aggregate, comparisons
 - Much more useful if need to prioritize salary or other compensation actions to specific jobs or agencies

Mercer broadly analyzed total compensation (2008), then focused more on retirement plan (2011)

Study	Major Mercer Deliverables	Cost
2008	<ul style="list-style-type: none">• Analysis of total compensation trends & best practices• Assessment of effectiveness of state total compensation• Comparison of value of state employee salaries & benefits to other major employers• Options & impact	\$318,450
2011	<ul style="list-style-type: none">• Value & effectiveness of retirement programs• Comparison of value of state employee salaries & benefits to other major employers• Options & impact	\$143,800

Key questions for consideration

- How has state's relative competitiveness for salaries and benefits changed?
- What matter more to workers; salaries or benefits?
 - Salary was more important for all age groups in 2008 JLARC study
- Are there cost-effective ways to strengthen the state's competitiveness in the employment marketplace?

Discussion? Questions?

Justin Brown, Associate Director