



15. Retirement and Employee Benefits

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This section includes the various benefits, along with an explanation of those benefits, funded by the City for its employees.



Retirement and Employee Benefits Fiscal Years 2016-2019

The Retirement and Employee Benefits appropriation covers the City's share of employee benefits costs including VRS retirement, life insurance, FICA (social security), workmen's compensation, separation pay, unemployment fees and health insurance. Costs involved in compensating employees, such as merit pay, specialized incentive pay and pay increases for Constitutional Officers are budgeted here as well.

The total budget for this department is \$43,689,176 which funds the following benefits:

	FY16 Actual	FY17 Actual	FY18 Budget	FY18 Adjusted Budget	FY19 Budget	Increase/ (Decrease)
Salary Increases and Benefits						
Accrued Payroll	\$743,720	\$320,964	\$280,000	\$280,000	\$240,000	(\$40,000)
Compensation	673,656	676,209	2,809,655	1,605,585	3,028,829	1,423,244
Separation Leave Pay	1,015,177	761,023	1,100,000	1,100,000	866,000	(234,000)
Fringe Benefits						
FICA Contribution	5,823,905	5,864,542	6,111,641	6,111,641	6,200,000	88,359
Group Life Insurance	798,829	892,942	975,000	975,000	997,200	22,200
Hampton Employees Retirement System ("HERS")	3,018,996	2,371,161	2,807,000	2,807,000	2,709,000	(98,000)
Hospitalization Insurance	10,938,641	11,778,769	13,393,554	13,393,554	13,372,718	(20,836)
Line of Duty Pay	247,257	269,788	340,000	340,000	470,000	130,000
Medicare Advantage Plan	653,518	837,851	780,700	780,700	913,200	132,500
Other Fringe Benefits	37,680	39,612	42,300	42,300	42,300	0
Unemployment Insurance	83,592	93,105	110,000	110,000	110,000	0
Virginia Supplemental Retirement ("VRS")	11,412,712	10,307,391	11,850,000	11,850,000	12,440,000	590,000
VRS Disability Program for Hybrid Plan	24,208	0	0	0	102,953	102,953
VRS Hybrid Plan Contribution/ Match	753,007	33,928	68,136	68,136	0	(68,136)
Wage Works-Flex Spending Accounts	7,003	7,226	7,015	7,015	7,709	694
Worker's Compensation	1,998,843	1,975,560	2,189,267	2,189,267	2,189,267	0
Total	\$38,230,744	\$36,230,072	\$42,864,268	\$41,660,198	\$43,689,176	\$2,028,978

Budget Note: *This budget reflects the following changes:*

**Provides for a 2% general wage increase (GWI) and the continuation of the Citizen Satisfaction Bonus, the exact amount of which will be determined based on the percentage of residents indicating satisfaction with employee work performance, for permanent full-time and permanent part-time employees. (The bonus is funded with departmental savings.)*

**A 2.0% increase in the health insurance premium of which the City is picking up its proportional share. This increase funds the provision of preventive health care services at 0% cost to employees, which is an incentivized cost savings.*

**This budget also reflects several other increases such as line of duty pay for public safety sworn employees and an increase in VRS.*



Accrued Payroll: The City pays its employees on a bi-weekly basis during the fiscal year which begins July 1st and ends June 30th. For General Fund departments, any pay days within the first pay period of the fiscal year that relate to the month of June are (accrued) charged back to the closing fiscal year. The total amount accrued is charged against this accrued payroll account instead of the individual department's salary expense line-item. This satisfies the principles of the modified accrual basis of accounting that the City uses.

Compensation ~ General Wage Increase (GWI and Citizens Satisfaction Bonus): This budget recommends a compensation package which includes a 2% general wage increase (GWI) to be given to the City's permanent full-time (PFT) and permanent part-time employees and a Citizen Satisfaction Bonus, the amount of which is determined by the percentage of approval.

Hampton Employees Retirement System (HERS) Contribution: HERS is a City provided retirement plan that was designed to supplement the retirement of those City employees eligible for participation in the Virginia Supplemental Retirement System (VRS). HERS covers all full-time salaried employees who were first hired prior to July 1, 1984. The City is required to contribute an actuarially determined amount. For FY19, the General Fund's share of the contribution is \$2,709,000.

Hospitalization Insurance (Self Insured): The City offers one medical plan, Anthem Blue Cross/Blue Shield KeyCare (PPO plan) to all eligible active and qualified retired employees. This plan is supported by the City and its subscribers. For FY19, the estimated increase in premiums is expected to be 2% which will be proportionally shared between the City and the employee. The City continues to offer vision and dental plans to its eligible employees and retirees; however, all premiums are paid in full by the enrollee through payroll deductions. The City does not budget funds for these plans.

Life Insurance: All eligible permanent full-time employees are automatically covered under the basic group life insurance program provided by Minnesota Life for VRS members and retirees. The premium costs are calculated as a percentage of the employee's annual salary. The group life insurance rate is 1.31% as approved by the Virginia Governor and General Assembly.

Line of Duty Pay: According to the Virginia Code 9.1-400, the Line of Duty Pay (LODA) applies to any first responder or public safety employee who dies or becomes disabled in the line of duty. The plan, which is a component of the Virginia Retirement System, will provide death benefits and continued health insurance coverage to disabled persons, their spouses, dependents and surviving spouse and dependents of deceased law-enforcement officers and firefighters. VRS has created a fund for payment of the program benefits. The City is mandated by the State to make contributions to this plan on behalf of its public safety employees.

Other Fringe Benefits: This budget represents miscellaneous fringe benefits such as deferred compensation as a part of the City Attorney, City Manager and Municipal Clerk's compensation package.

Separation Leave Pay: Employees who retire or separate from employment with the City are entitled to receive payment for unused sick and vacation leave. According to the City's Personnel Policies Manual, active employees who are eligible for separation benefits have an established maximum number of hours that can be paid out. Upon separation, other than retirement pay, employees will receive sick leave pay of \$20 per day up to a maximum of 720 hours. For retirees, sick leave is paid up to 720 hours based on an hourly rate equivalent to one-half of the employee's annual salary. For both separating and retiring employees, vacation leave pay will be based on the employees hourly rate on the date of separation up to the maximum accrual payout set forth in the Personnel Policies Manual.



Social Security (FICA): This is the employer portion of the Medicare tax obligations for all paid employees. Contributions are calculated utilizing a combined rate for Social Security and Medicare (7.65%) applied to a predetermined wage base.

Unemployment Insurance: The City pays unemployment tax on the first \$8,000 of wages earned for each employee during a calendar year. The percentage rate applied is computed by the Virginia Department of Taxation. The City is estimated to pay approximately \$110,000 in unemployment taxes for Fiscal Year 2019.

Virginia Retirement System (VRS) Contribution: The City of Hampton contributes to VRS, an agent and cost-sharing multiple-employer defined benefit pension plan administered by the Virginia Retirement System. All full-time, salaried employees of the City must participate in the VRS Plan. Members are required by Title 51.1 of the Code of Virginia (1950), as amended, to contribute 5% of their annual reported compensation to VRS. In addition, the City of Hampton is required to contribute the actuarially determined rate of 16.33%.

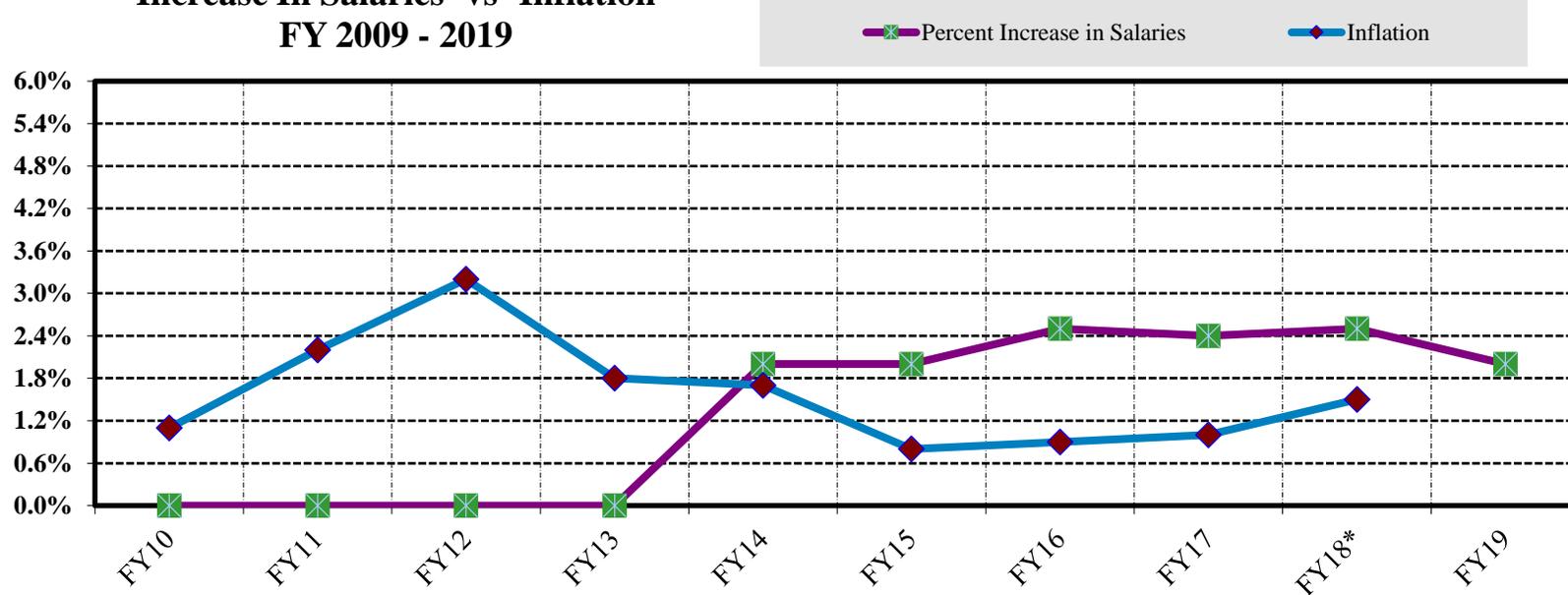
Workmen's Compensation (Self Insured): The City is exposed to various risks of loss related to torts; theft of, damages to and destruction of assets; error and omissions; injuries to employees and natural disasters. The City has an established Risk Management Fund (in the Internal Service Fund) to account for and finance its uninsured risk of loss and the cost of providing insurance coverage such as automobile, general liability and workmen's compensation. Since the City is self-insured, this appropriation is essentially a General Fund transfer to the Risk Management Fund to support this self-insured liability of the City. For FY19, the Workmen's Compensation is funded at \$2,189,267.



Fiscal Years 2010-2019

	<u>FY10</u>	<u>FY11</u>	<u>FY12</u>	<u>FY13</u>	<u>FY14</u>	<u>FY15</u>	<u>FY16</u>	<u>FY17</u>	<u>FY18*</u>	<u>FY19</u>
Percent Increase in Salaries	0.0%	0.0%	0.0%	0.0%	2.0%	2.0%	2.5%	2.4%	2.5%	2%
Inflation	1.1%	2.2%	3.2%	1.8%	1.7%	0.8%	0.9%	1.0%	1.5%	

**Increase In Salaries -vs- Inflation
FY 2009 - 2019**



* The FY18 estimate is based on the average of the bi-monthly inflation rate from July 2017-January 2018.

1. Salaries include merit and cost-of-living increases for City employees only.
2. Inflation is measured by the percent increase in the Consumer Price Index (CPI) for the Washington-Arlington-Alexandria Area on a fiscal year basis.

Source: U.S. Department of Labor, Bureau of Labor Statistics: Consumer Price Index Historical Tables for Washington-Arlington-Alexandria "For All Urban Workers Table". It is an estimate only.