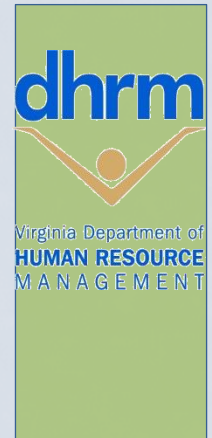


Department of Human Resource Management

STATE EMPLOYEE

WORKFORCE, COMPENSATION,
HEALTH BENEFITS, HR SYSTEMS

HOUSE APPROPRIATIONS
COMPENSATION & RETIREMENT SUBCOMMITTEE



Pocahontas Building, Richmond, Virginia
January 18, 2018

WORKFORCE

STATE WORKFORCE EMPLOYMENT LEVEL

**16.7% of total employees
statewide are wage**

STATEWIDE FTEs as of 6/30/17		
SALARIED EMPLOYEES		
Executive	99,298.10	79.0%
Legislative	503.80	0.4%
Judicial	3,284.30	2.6%
Independent	1,591.80	1.3%
Total Salaried	104,678.00	83.3%
TEMPORARY EMPLOYEES		
Executive	20,716.01	16.5%
Legislative	31.48	0.03%
Judicial	116.03	0.09%
Independent	108.92	0.09%
Total Temporary	20,972.44	16.7%
TOTAL EMPLOYEES	125,650.44	100.0%

Source: DHRM EPR Reports FY17

**Majority of Executive Branch
employees are in Education**

Executive Branch	FTEs	%
Education	51,921.35	52.29%
Public Safety & Homeland Security	17,343.44	17.47%
Health and Human Resources	13,030.31	13.12%
Transportation	9,678.80	9.75%
Natural Resources	1,842.37	1.86%
Commerce & Trade	1,516.90	1.53%
Finance	1,104.45	1.11%
Administration	748.60	0.75%
Veterans and Defense Affairs	722.00	0.73%
Agriculture & Forestry	678.90	0.68%
Executive Offices	510.98	0.51%
Technology	200.00	0.20%
TOTAL	99,298.10	100.00%

Source: DHRM EPR Reports FY17

CLASSIFIED STATE WORKFORCE DEMOGRAPHICS

Average Age

46.6 →

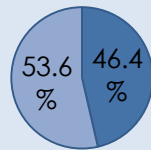
Average Years of Service

11.7 ↓

Average Age of New Hires

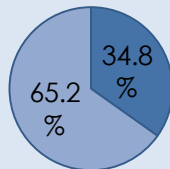
35.3 ↑

Gender



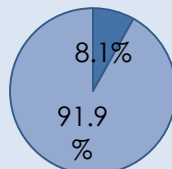
■ Male ■ Female

Race



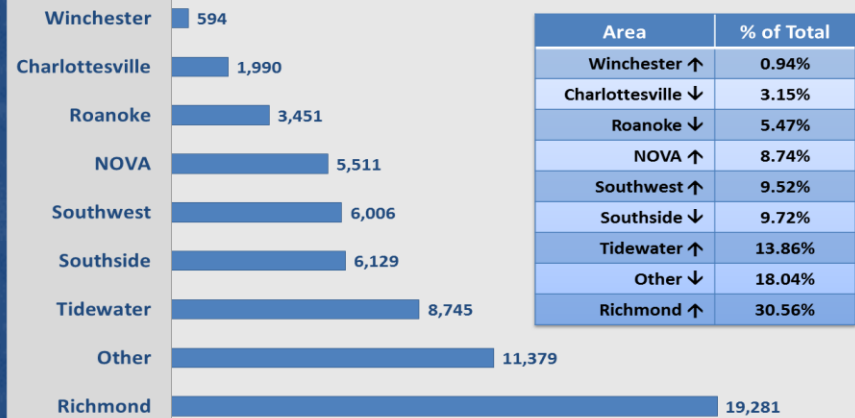
■ Minority ■ Non-Minority

Veterans



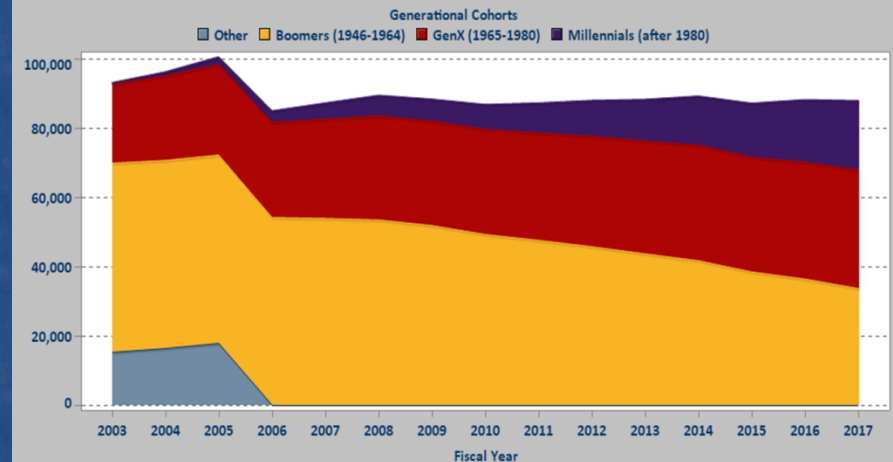
■ Veterans ■ Non-Veterans

Classified Employees by Area



Arrows Indicate Data Trend from FY16 to FY17

Employees by Generational Cohort (all salaried in PMIS)



STATE WORKFORCE TOP TEN AGENCIES & JOB ROLES

2/3 of workforce in ten agencies

Agency	# Employees
1. University of Virginia System	14,188
2. Dept. of Corrections	11,258
3. Dept. of Transportation	7,506
4. Va. Community College System	6,514
5. Dept. of Behavioral Health and Developmental Services	6,023
6. Virginia Commonwealth Univ.	5,946
7. Virginia Tech	5,259
8. George Mason Univ.	4,100
9. Virginia Dept. of Health	3,192
10. James Madison Univ.	3,026

40% of classified workforce in 10 roles

Job Role	# Employees
1. Administrative & Office Spec III	6,371
2. Security Officer III	5,790
3. Transportation Operator II	2,344
4. Direct Service Associate II	1,907
5. Program Administrative Spec I	1,890
6. Administrative & Office Spec II	1,848
7. Program Administrative Spec II	1,546
8. Housekeeping/Apparel Worker I	1,403
9. Information Technology Spec II	1,339
10. Financial Services Specialist I	1,287

CLASSIFIED STATE WORKFORCE RECRUITMENT & RETENTION

FY17 Recruitment	
• Vacancy Rate	12.5% ↓
• Average Vacancy	288 days ↓
• Average Time to Hire	87 days ↑
• Hiring Offers Accepted	85.8% ↓
• Exceptional Recruitment Options	4.5% ↑
• Total Recruitments	14,287 ↓
• Promotions	13.2% ↓
• Demotions	1.7% →
• Transfers	25.4% ↓
• New Hires/Rehires	59.7% ↑
• Average Age of New Hires / Rehires	35.3 years ↑

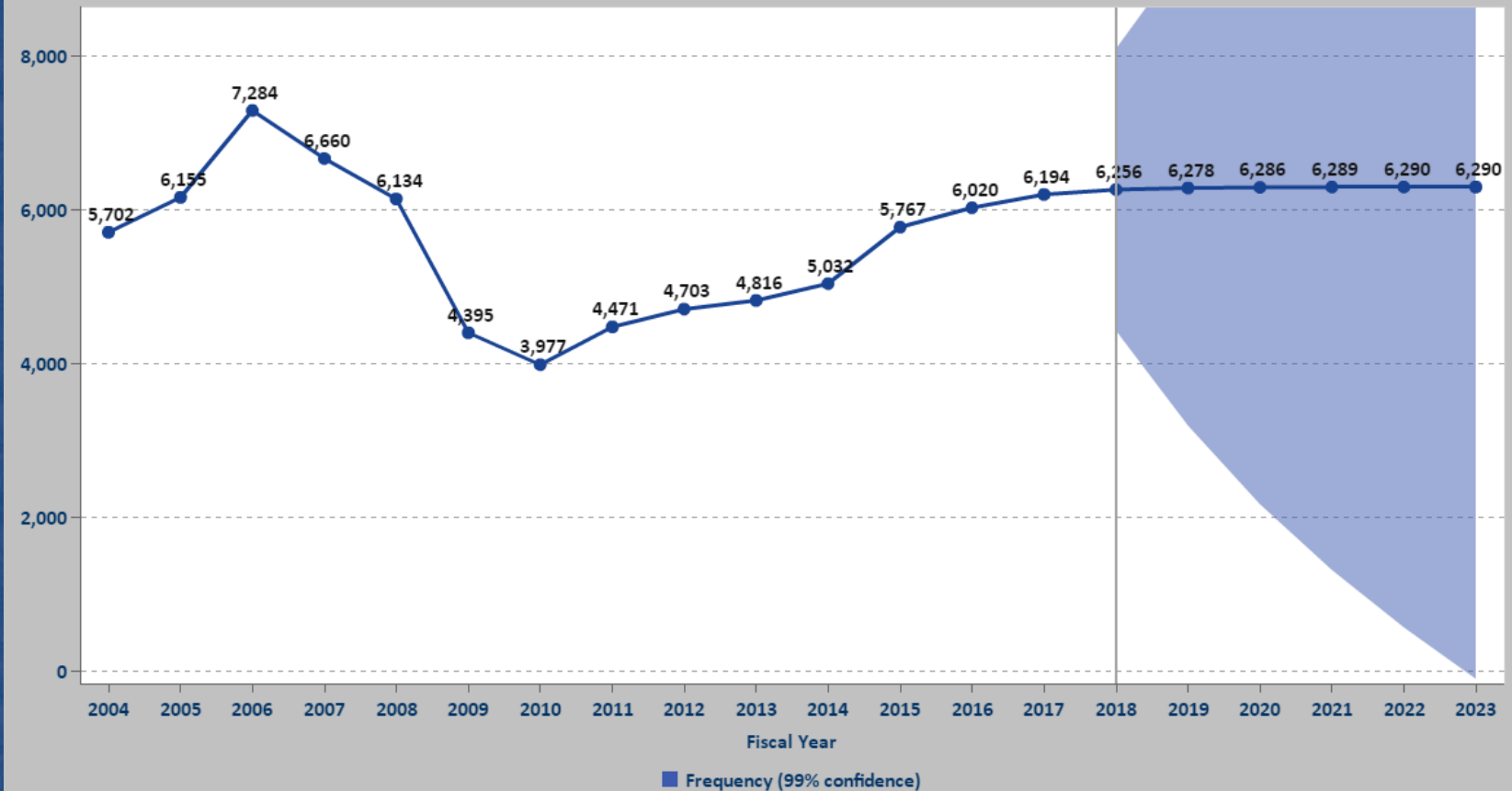
FY17 Retention	
• Turnover Rate	14.5% ↑
• Turnover - Probationary	15.1% ↑
• Turnover - < 5 Years Service	57.6 ↑
• Average Retention Bonus	1.4% ↓
• Transactions w/ Retention In-Band Adjustment Increase	8.5% ↑
• Average Retention In-band Adjustment Increase	3.7% ↓
• Eligible Retirement Today	11.7% →
• Eligible Retirement Within 5 Years	24.0% ↓
• Retirement Rate	3.4% ↑

Indicate Data Trend from FY16 to FY17
Source: DHRM At A Glance Reports FY17

DHRM

CLASSIFIED STATE WORKFORCE RESIGNATIONS

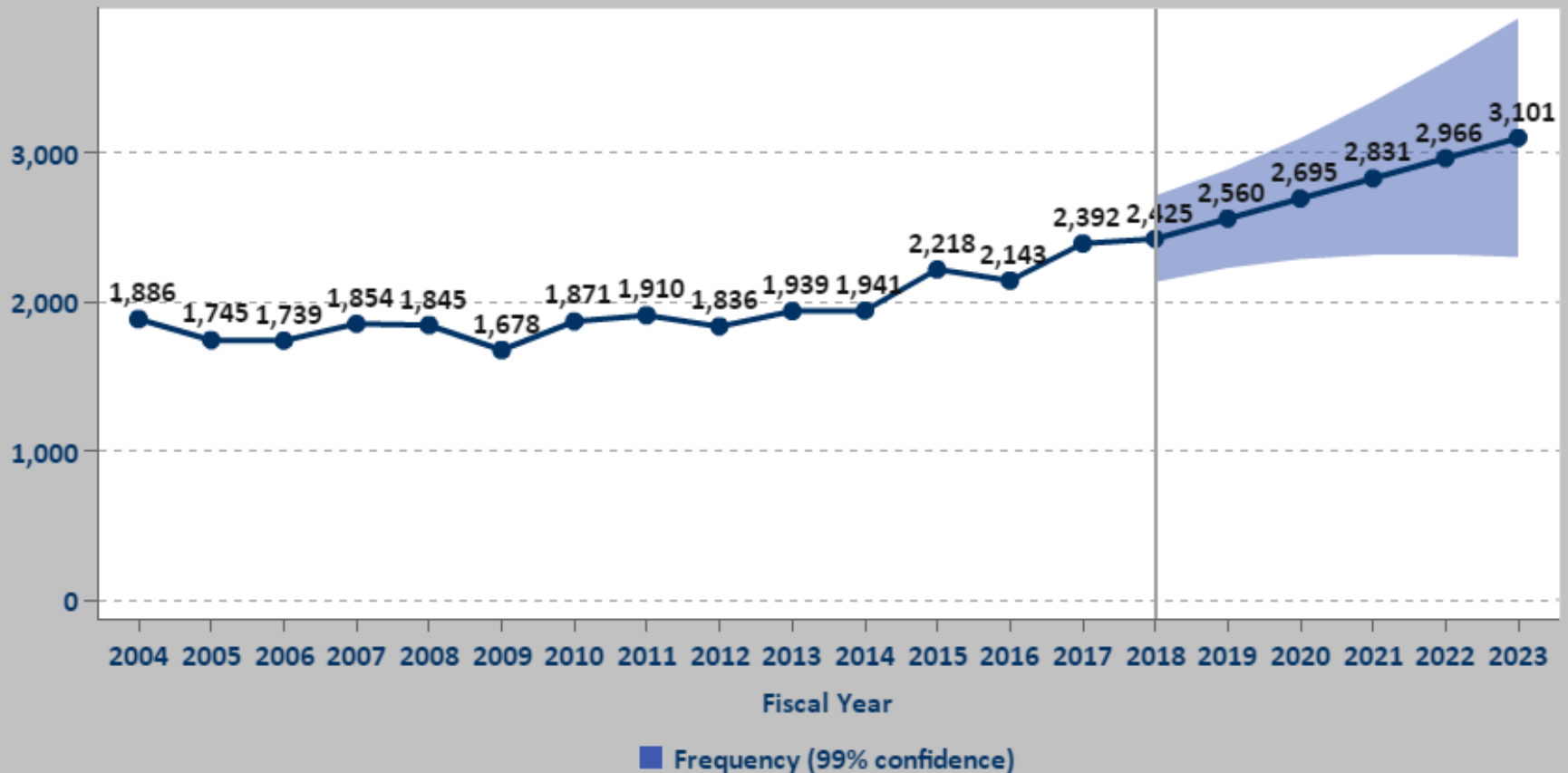
Frequency of Resignations with Forecast (all salaried in PMIS)



Data Source: DHRM PMIS FY17 – Report Visualized in SAS Visual Analytics

CLASSIFIED STATE WORKFORCE RETIREMENTS

Frequency of Service Retirements with Forecast (all salaried in PMIS)



CLASSIFIED STATE WORKFORCE

ROLES WITH HIGHEST TURNOVER AND BELOW MARKET COMPENSATION

Position Role Code	Position Role with ≥ 25 employees	Resignations
49052	Direct Service Associate II	22.03%
49011	Counselor I	20.11%
49111	Licensed Practical Nurse	19.08%
49211	Psych I/Psychology Associate I	18.18%
39071	Engineering Technician I	17.70%
49112	Registered Nurse I	17.17%
49053	Direct Service Associate III	16.39%
59073	Laboratory & Research Specialist I	16.34%
29092	PR & Marketing Specialist II	16.22%
59072	Laboratory and Research Tech	16.22%
49113	RN II/Nurse Practitioner I/Physician Assistant	15.37%
69113	Security Officer III	15.13%

COMPENSATION

CLASSIFIED COMPENSATION AS OF 12/31/17

STATEWIDE SALARIES & PAY BANDS

• Lowest Paid

- \$16,472 Annually
- 20 Food Service Technician I and 10 Housekeeping - Apparel Worker I at Va. Center for Behavioral Rehabilitation & Piedmont Geriatric Hospital

• Highest Paid

- \$270,250 Annually
- Physician Manager II in DBHDS

• Modal Band is Pay Band 3

• Federal minimum wage

- \$7.25 per hour
- \$15,080 annually

Bands	Range			Employees	
	Minimum	SW Maximum	NOVA Maximum	Number	Percent
1	\$16,472	\$46,778	\$58,773	1,935	3.07%
2	\$21,521	\$57,644	\$72,899	6,990	11.10%
3	\$25,718	\$66,683	\$84,651	19,675	31.25%
4	\$33,598	\$83,649	\$106,705	17,205	27.32%
5	\$43,892	\$105,811	\$135,516	12,362	19.63%
6	\$57,342	\$134,764	\$173,156	4,086	6.49%
7	\$74,913	\$172,594	\$205,755	491	0.78%
8	\$97,863	\$222,012	\$265,055	205	0.33%
9	\$127,852	MARKET	MARKET	18	0.03%

STATE SALARIES 12/31/2017	MEAN	MEDIAN	1ST QUARTILE	3RD QUARTILE	LOWEST	HIGHEST	COUNT
Statewide	\$50,518	\$44,661	\$35,401	\$60,020	\$16,472	\$270,250	62,967
NOVA	\$59,353	\$54,031	\$44,301	\$67,584	\$22,030	\$245,068	5,624
Statewide (excluding NOVA)	\$49,652	\$43,775	\$35,061	\$58,749	\$16,472	\$270,250	57,343

CLASSIFIED STATE WORKFORCE

AVERAGE STATE SALARY COMPARED TO PRIVATE INDUSTRY IN CERTAIN JOBS

Occupation	Private Industry	State	Difference
Attorneys	\$114,600	\$69,907	-39.00%
Marketing & Public Relations Specialist	\$72,800	\$51,271	-29.57%
Light Delivery Vehicle Operations	\$38,400	\$28,365	-26.13%
Secretaries & Administrative Assistants	\$48,600	\$37,290	-23.27%
Accountants	\$69,000	\$54,925	-20.40%
Mail Services	\$36,700	\$29,925	-18.46%
Training & Development Specialists	\$71,500	\$58,646	-17.98%
Electricians, Skilled Trades	\$51,900	\$45,049	-13.20%
Civil Engineers	\$95,300	\$83,028	-12.88%
Food Preparation/Services	\$30,000	\$26,526	-11.58%
Chemists	\$66,900	\$59,461	-11.12%
Medical & Clinical Laboratory Technologists	\$61,700	\$54,876	-11.06%
Environmental Engineers	\$74,000	\$67,181	-9.21%
Human Resources, Managers	\$100,500	\$92,399	-8.06%
Office & Administrative Support	\$41,900	\$38,775	-7.46%
Engineering, Managers	\$116,400	\$108,846	-6.49%
Internal Auditors	\$73,900	\$69,291	-6.24%
Grounds Laborer/Janitorial Supervisor	\$32,800	\$30,760	-6.22%
Medical & Clinical Laboratory Technicians	\$46,600	\$44,975	-3.49%
Registered Nurses	\$67,400	\$65,350	-3.04%
Security Guards, Unarmed	\$33,600	\$32,605	-2.96%
Database Administrators	\$95,700	\$93,865	-1.92%
Computer & Information Systems, Managers	\$112,100	\$110,499	-1.43%
Healthcare Social Workers	\$49,500	\$49,254	-0.50%
Physical Therapists	\$86,500	\$90,073	+4.13%
Average Difference:			-11.50%
Weighted Average Difference:			-10.28%

DHRM 2017 Annual Report on the Discrepancies in Compensation between the Public and Private Sectors
The weighted average difference shown above is weighted by count of employees in each occupation.

PRIVATE INDUSTRY AVERAGE PAY INCREASES IN 2017

Private Industry Average 2017 Salary Increases	Private Industry Average 2017 Pay Structure Adjustments
3.0%	2.0%

Private Industry Average 2017 Salary Increase for Above Average Performers	Private Industry Average 2017 Salary Increase for Average Performers	Private Industry Average 2017 Salary Increase for Below Average Performers
4.5%	2.6%	≤1.0%

DHRM 2017 Annual Report on the Discrepancies in Compensation between the Public and Private Sectors

PROJECTED PRIVATE INDUSTRY AVERAGE PAY INCREASES IN 2018

**Projected Private Industry
Average 2018 Salary
Increases**

3.0%

**Projected Private Industry
Average 2018 Pay
Structure Adjustments**

2.0%



JLARC 2017 STUDY ON TOTAL COMPENSATION FOR STATE EMPLOYEES

JLARC STUDY BACKGROUND

- Recommended by General Assembly's Commission on Employee Retirement Security & Pension Reform
- Compared value of total compensation to Virginia state employees to other employers
- Researched ways to improve recruitment and retention



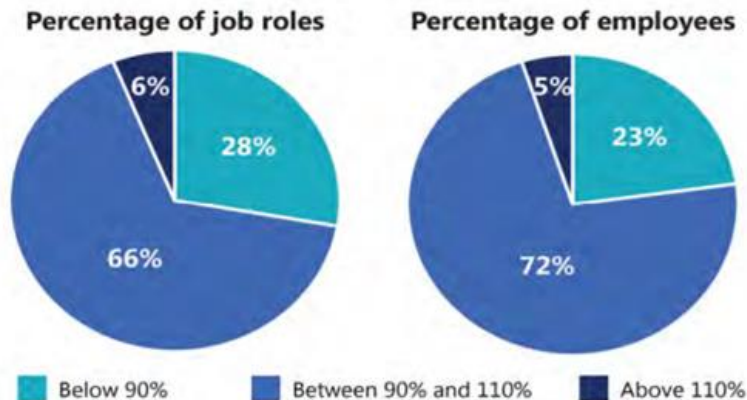
JLARC STUDY

TOTAL COMPENSATION ON AVERAGE IS GENERALLY COMPARABLE TO MARKET

- State pays less than other employers for some jobs
- State salaries tend to lag the market by 10% on average
- Comparable total compensation primarily due to state health insurance benefits

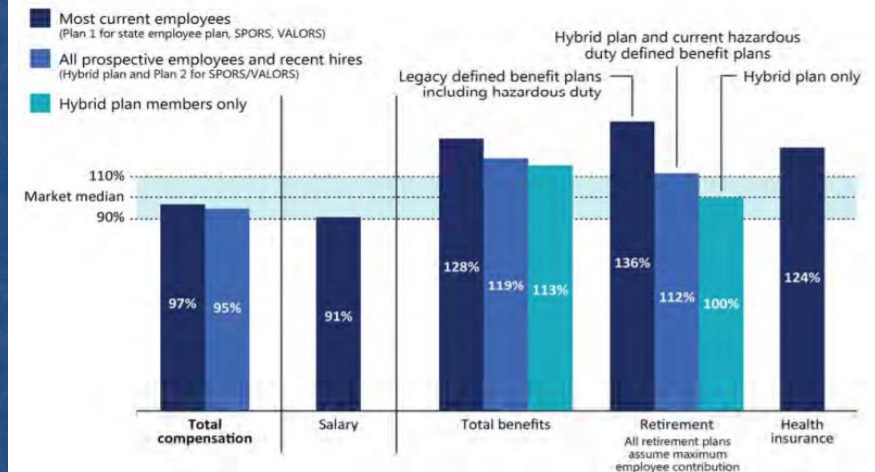
FIGURE 2-2

Total compensation is within 10 percent of the market median for two-thirds of job roles



SOURCE: Mercer comparison of Virginia employee total compensation to total compensation provided by other public and private employers in Virginia, 2017.
NOTE: Figures include only the 67 job roles analyzed by Mercer.

Virginia's combination of cash compensation and benefits is comparable to market



SOURCE: Mercer comparison of Virginia total compensation to total compensation provided by other public and private employers in Virginia, 2017.
NOTE: Value of the Hybrid retirement plan assumes that all employees maximize voluntary contributions. Data is not available on the actual voluntary contributions of other employers, so the comparison is based on the maximum potential value.

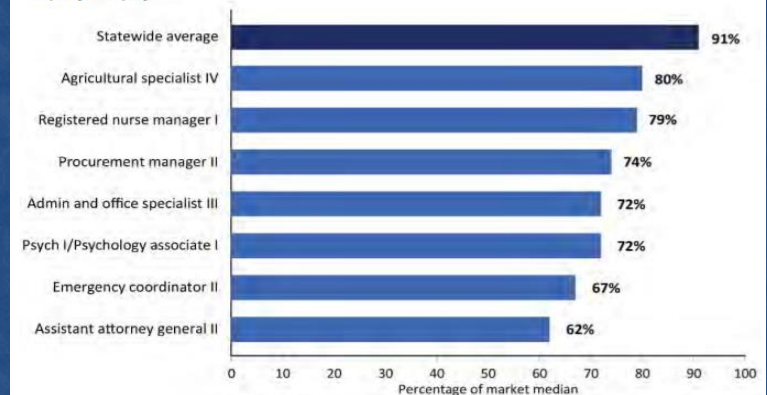
JLARC STUDY

SALARIES PLAY KEY ROLE IN MAINTAINING QUALIFIED WORKFORCE

- Majority of agencies indicated difficulty:
 - Filling open positions
 - Inability to perform above minimum expectations
 - Attracting even minimally qualified applicants
 - Inability to pay competitive salaries
 - Retaining qualified employees
 - Dissatisfaction with salary
 - Lack of career advancement opportunities

FIGURE 2-3

For some job roles, salaries lag 20 percent or more behind what other employers pay



SOURCE: Mercer comparison of Virginia employee total compensation to what is provided by other public and private employers, 2017.

NOTE: See Appendix C for the results of all job roles analyzed by Mercer.

TABLE 2-1

Job roles with salaries that are significantly behind market perform key functions at many different agencies (FY17)

Job role	Responsibility	Number of employees*	Agencies
Agricultural specialist IV	Farm and food inspections	63	VDACS
Registered nurse manager I	Supervising direct patient care	203	DBHDS, VCU, DOC
Procurement manager II	Contract development and administration	78	Numerous agencies
Administrative and office specialist III	Multiple administrative and support functions	6,395	Numerous agencies
Psychologist I	Conduct psychological assessments and treatment	85	DOC, DBHDS
Emergency coordinator II	Disaster preparedness	131	VDEM
Assistant attorney general II	Represent state in legal matters and advise agencies	34	OAG

SOURCE: Mercer comparison of Virginia employee total compensation to what is provided by other public and private employers and JLARC analysis of DHRM job classification documents and workforce data, FY17.

NOTE: The list of agencies impacted may not include all agencies where these job roles are found.

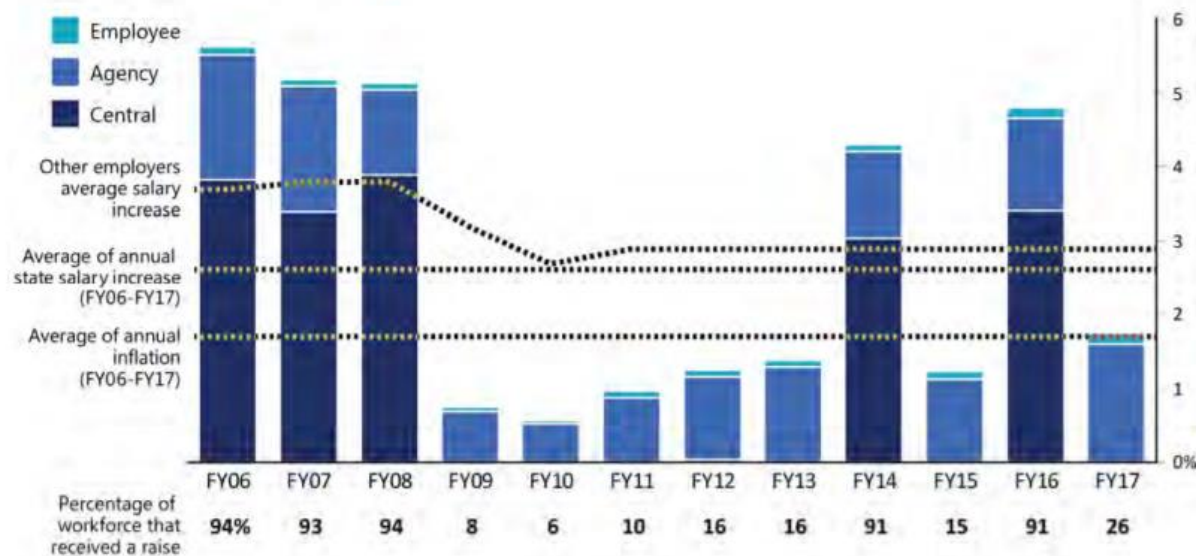
* Mercer did not include all employees in their comparison, but instead used those that performed the most similar functions, to enable a more precise match to employees of other organizations.

JLARC STUDY

CENTRAL INVESTMENTS IN EMPLOYEE SALARIES NOT MADE AT REGULAR INTERVALS

FIGURE 4-1

Central investments in employee salaries are not made at regular intervals



SOURCE: JLARC staff analysis of DHRM compensation data. Market data provided by Mercer consultants, 2017.

NOTE: Salary growth reflects average across all employees, including those who did not receive a raise that year. "Central," "agency," and "employee" components reflect how salary increases were initiated, by the governor or General Assembly, agencies, or employees (e.g., transfers to different agencies). State provided a five percent central salary increase in FY11, but because that increase was offset by a mandatory five percent contribution to retirement, JLARC set the central amount to zero for that year. In years with central salary increases, almost every employee received a raise, but percentages shown here are lower because the calculation included employees who started working for the state after the increase was given. Lines depicting the average state salary increase and average inflation increase reflect cumulative growth, as both salaries and inflation varied year to year. (See Appendix B for more about this analysis.)

JLARC STUDY

STATE LEVEL INVESTMENTS IN EMPLOYEE SALARIES COULD BE MORE EFFECTIVE

- Investments in employee salaries are costly
 - 1% salary increase is ~ \$45 million
 - Foundational to state government to operate effectively
 - When salary increases not provided regularly, employees statistically more likely to leave state workforce
- Cost effectiveness of investment is limited
 - Lack of prioritization
 - Lack of consistency
 - Not directed to roles where salary increases needed most
- Manage salary increases more strategically
 - Provide at regular intervals
 - Prioritize for jobs with most pressing workforce challenges
 - Grant agencies greater authority and flexibility to differentiate salary increases among their employees

JLARC STUDY

STATE BUDGET PROCESS DEPRIORITIZES NEEDED INVESTMENTS IN SALARY

- Employee compensation competes with every other discretionary item in state budget
 - Prone to be excluded based on other priorities
 - Without means to prioritize employee salaries in budget process, more likely increases will not be consistently funded
 - Creates or exacerbates workforce challenges
- Prioritizing employee compensation at beginning of budget process is most effective approach for ensuring adequate funding
- General Assembly could consider requiring information be provided to Governor before budget process begins
 - Need for salary increase
 - Amount of salary increase

FIGURE 1-4
Governor, General Assembly, and agencies are responsible for effective employee compensation



SOURCE: JLARC staff analysis of Code of Virginia, Appropriation Act, and interviews with state agency staff.

JLARC STUDY

SPECIFIC RECOMMENDATIONS

- DHRM agrees with the JLARC recommendations
- Additional resources are needed to accomplish the objectives

JLARC 2017 Total Compensation Recommendations	
1	Develop new or more effective career ladder programs.
2	Provide complete and accurate information in the Recruit Management System
3	Develop methodology to determine employee base salary increases
4	Provide funding for a third party consultant to update total compensation periodically
5	Report on job role salary increases and additional recruitment and retention information
6	Report on impact of previous salary increases on recruitment and retention
7	Provide an option for agencies to provide variable salary increases
8	Establish guidelines for performance-based pay models
9	Develop and offer mandatory training for agency human resource managers

HEALTH BENEFITS

HEALTH BENEFITS SHARED SAVINGS STUDY

- DHRM studied a **shared savings program** for state employees
- **Holds great promise**
 - Yields savings that are more tangible, measurable and immediate than longer-term strategies
 - Rewards members who receive treatment at facilities offering quality care at the lower end of the cost scale
 - Instills and reinforces benefits of participant engagement
 - Critical tool in holding down future costs
 - Basis for consumer-driven approach to health care
- **Estimated annual savings by Aon is \$4.0 million to \$6.7 million**
 - Takes time to change behavior to achieve goal
 - Kentucky realized gross savings of \$10 million over 3 years, with \$1.1 million going to employee rewards

HEALTH BENEFITS INSURANCE INCREASES

- **6.1 % increase** in health benefits insurance **premiums** in FY 2019
- **Budget** includes **GF appropriation**
 - **\$34,532,857** 1st year
 - **\$94,574,904** 2nd year
- Employer pays all 1st year premium GF increases

FY 2019 HEALTH BENEFITS RATES

PLAN	Current Monthly Cost				Proposed Monthly Change				Proposed Monthly Cost			
COVA Care Basic	Employee Only	Employee Plus Child	Employee Plus Spouse	Employee Plus 2 or More	Employee Only	Employee Plus Child	Employee Plus Spouse	Employee Plus 2 or More	Employee Only	Employee Plus Child	Employee Plus Spouse	Employee Plus 2 or More
Employee	\$71	\$184	\$167	\$239	\$0	-\$7	\$0	\$0	\$71	\$177	\$167	\$239
Employer	\$647	\$1,159	\$1,159	\$1,699	\$44	\$70	\$80	\$117	\$691	\$1,229	\$1,239	\$1,816
TOTAL PREMIUM	\$ 718	\$1,343	\$1,326	\$1,938	\$44	\$63	\$80	\$117	\$762	\$1,406	\$1,406	\$2,055
COVA HealthAware Basic	Employee Only	Employee Plus Child	Employee Plus Spouse	Employee Plus 2 or More	Employee Only	Employee Plus Child	Employee Plus Spouse	Employee Plus 2 or More	Employee Only	Employee Plus Child	Employee Plus Spouse	Employee Plus 2 or More
Employee	\$0	\$34	\$17	\$16	\$0	-\$10	\$0	\$0	\$0	\$24	\$17	\$16
Employer	\$648	\$1,182	\$1,182	\$1,733	\$29	\$47	\$54	\$78	\$677	\$1,229	\$1,236	\$1,811
TOTAL PREMIUM	\$648	\$1,216	\$1,199	\$1,749	\$29	\$37	\$54	\$78	\$677	\$1,253	\$1,253	\$1,827

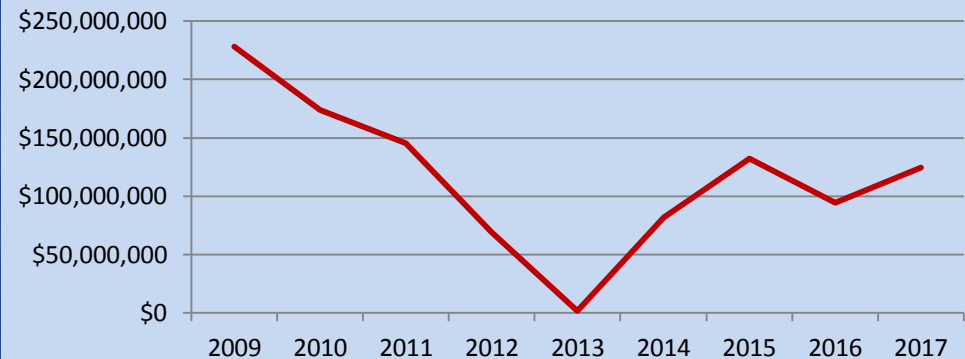
HEALTH BENEFITS

HEALTH INSURANCE FUND

Active & Early Retiree Plan HIF Year End Balances

- FY 2012 – \$69.4 million
- FY 2013 – \$1.8 million
- FY 2014 – \$81.8 million
- FY 2015 – \$132.3 million
- FY 2016 – \$94.6 million
- FY 2017 – \$124.5 million
- FY 2018 (6 mos) – \$308.1 million

Health Insurance Fund Year End Balances



HUMAN RESOURCE SYSTEMS

PERSONNEL MANAGEMENT INFORMATION SYSTEMS

INFORMATION TECHNOLOGY

PMIS MIGRATION PROJECT UPDATE

- **What:** Migrated all DHRM's systems running on the Unisys Mainframe to a modern environment
- **Why:** Money and people
 - **Cost avoidance** - ~ \$20 million in new charges annually for full cost of mainframe if DHRM is sole user of the system
 - **Staffing issues** – 80% of the Unisys mainframe systems eligible for retirement with dwindling pool of resources that could support the system
- **Who:** Procured vendor services to translate the system from its legacy technologies to modern ones, the only solution that could meet the state's timeline
- **When:** Executed statement of work in February 2015 and transitioned to new environment in February 2017
- **How Much:** \$2.72 million appropriated in FY15 and \$2.72 million in FY16, with unused funds carried forward
- **Status:** Project completed within scope and on budget

INFORMATION TECHNOLOGY STATUS OF MODERNIZED SYSTEM

- **Personnel Management Information System (PMIS)**
 - Implemented Emergency Response Contingency Plan day after Migration Go Live – High impact to customers, state payroll, and VRS for two months
 - Ongoing dysfunction with daily transactions – High customer impact
 - Increased daily down time for maintenance – Moderate customer impact
 - Critical batch tools dysfunctional requiring manual entry of high volume transactions
 - Time required to implement statewide pay raise increased from 2 hours for 2 people in past years to 11 days for 10 people
- **Incentive & Performance Increase (IPP System)**
 - Dysfunctional post-migration
- **Enterprise Position Reporting (EPR)**
 - Unstable post-migration
 - Requires excessive manual intervention to produce reports
- **Benefits Eligibility System (BES)**
 - Open Enrollment tool dysfunctional, requiring paper process for 2017 Open Enrollment
 - Premium Rewards delayed, requiring extensive manual intervention and data entry

INFORMATION TECHNOLOGY REQUEST FOR INFORMATION ISSUED

- VITA issued RFI for an integrated modern HR system

- ☐ Talent Acquisition & Onboarding
- ☐ Talent Management
- ☐ Compensation
- ☐ Benefits
- ☐ Performance Management
- ☐ Career & Succession
- ☐ Workforce Planning & Analytics
- ☐ Organization Management
- ☐ Learning
- ☐ Time, Attendance & Leave
- ☐ Audit & Compliance
- ☐ Digital Records
- ☐ Self-Service
- ☐ Mobile
- ☐ Other



INFORMATION TECHNOLOGY APPROPRIATIONS ACT LANGUAGE

- **Appropriations Act - Item 475 Q**
 - VITA to study and submit recommendations for development, support and governance of personnel information system to replace PMIS by September 1, 2018
 - Governor to select a state agency to develop and maintain personal information system considerations
 - Maximize efficiencies of enterprise system
 - Single source of personal information
 - Greater security of sensitive personally identifiable information
 - Governor authorized working capital advance of up to \$25 million

QUESTIONS

