



Compensation & Benefits

Presentation to School Board

January 26, 2012

Discussion Topics

- Compensation & Benefits Philosophy
- Recent Pay Actions
- Proposed Salary Increases
- Market Competitiveness – Teacher Salaries in the Region
- Cost Increases in Benefit Programs
- Retirement Costs Overview
- Healthcare Reform Overview and Impact
- Impact of Benefit Changes on Employee Pay
- Options to Help Lower-Paid Employees with Benefit Cost Increases

ACPS Compensation & Benefits Philosophy

Salary and benefits are key factors in employee recruitment and retention. The goals of ACPS compensation and benefit plans are:

- To attract and retain highly skilled employees,
- To remain competitive in the market, and
- To provide a balance of salary and benefits that meets the needs of our employees and their families

ACPS Pay Actions

	Step Increase	Market Rate Adjustment
FY 2009	Full Step	No
FY 2010	Full Step, Mid-Year	No
FY 2011	Full Step, Mid-Year	No
FY 2012	Full Step	No
Proposed FY 2013	Full Step, Mid-Year	No

Market Competitiveness

Market Rate Adjustment and Step Increase

School Division	FY2009		FY2010		FY 2011		FY 2012		Proposed FY 2013	
	Market Rate Adjustment	Step Increase	Market Rate Adjustment	Step Increase	Market Rate Adjustment	Step Increase	Market Rate Adjustment	Step Increase	Market Rate Adjustment	Step Increase
Alexandria City	No	Full Step	No	Full-Step/1/2 yr	No	Full-Step/1/2yr.	No	Full Step	No	Full-Step/1/2yr.
Arlington County	2.2%	No	No	Full-Step /1/2 yr	No	No	No	Full Step	N/A	N/A
Fairfax County	2%	Full Step	No	No	No	No	1%	Full Step	2%	Full Step
Falls Church City	3%	Full Step	No	1/2 Step Full yr	No	No	No	No	Yes*	
Loudoun County	No	No	No	No	No	No	3%	No	3%	No
Manassas City	No	No	No	No	No	No	2.25%-2.36%	No	N/A	N/A
Montgomery County, MD	N/A	N/A	No	Full Step	No	No	No	No	Yes*	
Prince George's County, MD	3%	No	No	No	No	No	No	No	Yes*	
Prince William County	3%	3%	No	No	No	No	2.35%	No	N/A	N/A

*Funding has been set aside to provide salary increases, however, the specific amount has not yet been determined.

N/A - Information is not yet available.

Source: Washington Area Boards of Education (WABE) – FY 2012 Guide

Market Competitiveness – Teacher Compensation

Division	Beginning Teacher, Bachelors Degree, Step 1
Montgomery County	\$46,410
Prince George's County	\$44,799
Fairfax County	\$44,440
Falls Church City	\$44,290
Arlington County	\$43,910
Loudoun County	\$43,715
Alexandria City	\$43,633
Prince William County	\$43,612
Manassas City	\$43,000
Manassas Park City	\$42,400

Division	Experienced Teacher, Masters Degree, Step 9
Montgomery County	\$67,723
Arlington County	\$66,848
Alexandria City	\$66,052
Prince George's County	\$63,020
Falls Church City	\$62,390
Prince William County	\$58,312
Fairfax County	\$58,099
Manassas Park City	\$55,637
Loudoun County	\$53,693
Manassas City	\$53,011

Division	Maximum Salaries
Montgomery County	\$103,634
Manassas Park City	\$101,903
Arlington County	\$101,298
Prince William County	\$99,433
Loudoun County	\$99,081
Alexandria City	\$99,064
Falls Church City	\$97,440
Manassas City	\$95,330
Fairfax County	\$93,015
Prince George's County	\$91,752

Source: Washington Area Boards of Education (WABE) – FY 2012 Guide

Summary of Cost Increases in Compensation and Benefit Programs

	FY 2013 Cost Increase
Salary Increase - Step Increase, Mid Year	\$2.2 Million
Health Insurance Plans - Medical, Dental	\$2.6 Million
Retirement - Virginia Retirement System	\$6.7 Million
Basic Life Insurance	\$0.2 Million

Retirement Costs

- How changes as proposed by the Governor's Budget affect ACPS
 - Virginia Retirement System
 - Contributions for professional employees increase from 11.33% to 16.66%
 - Contributions for non-professional employees from 5.26% to 10.43%
 - VRS Plan 2 participant contribution increases from 1% to 2%
 - Basic Life Insurance
 - Increase from 0.28% to 1.19%
 - ACPS cost increases from 0.28% to 0.48%
 - Employee cost increases from 0% to 0.71%
 - Retiree Healthcare Credit
 - Increase from 0.6% to 1.11% (ACPS pays all)

Employee Benefits Summary

	FY 2012		Proposed FY 2013	
	ACPS Contributions	Employee Contributions	ACPS Contributions	Employee Contributions
FICA Taxes				
- Social Security	6.20%	4.20%*	6.20%	5.20%*
- Medicare	1.45%	1.45%	1.45%	1.45%
Virginia Retirement Plan				
- Plan 1 Professional	11.33%	0%	16.66%	0%
- Plan 2 Professional	10.33%	1%	14.66%	2%
Supplemental Retirement Plan	0%	2.25%	0%	2.25%
Basic Life Insurance	0.28%	0%	0.48%	0.71%
Long Term Disability	1.55%	0%	1.55%	0%
Medical Insurance**				
- Family Coverage	\$16,399	\$5,466	\$19,022	\$6,341
- Individual Coverage	\$ 6,146	\$2,048	\$ 7,129	\$2,376
Dental Insurance				
- Family Coverage	\$557	\$300	\$601	\$324
- Individual Coverage	\$ 212	\$114	\$229	\$123

* Assume 2% reduction for CY 2012

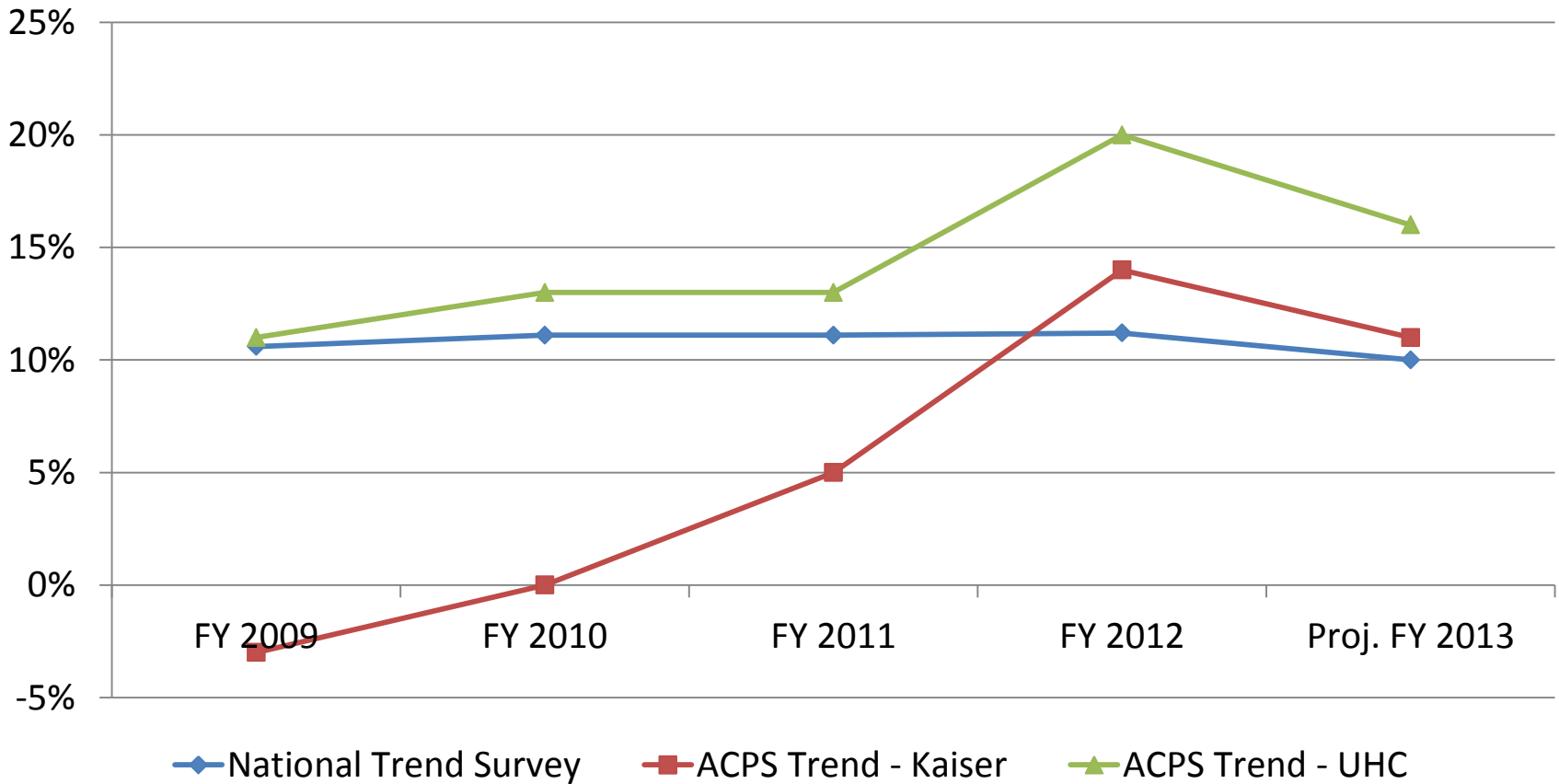
**Assume UHC medical plan for teacher group

Healthcare Trends

ACPS Premium Rate Increases

	FY 2010	FY 2011	FY 2012	Proposed FY 2013
United Healthcare Medical Plan	12%	13%	20%	16%
Kaiser Medical Plan	0%	5%	14%	11%
Dental Plan	7%	0%	3%	8%
Vision Plan	N/A	New Plan Effective 7/1/2010	0%	0%

Healthcare Trends

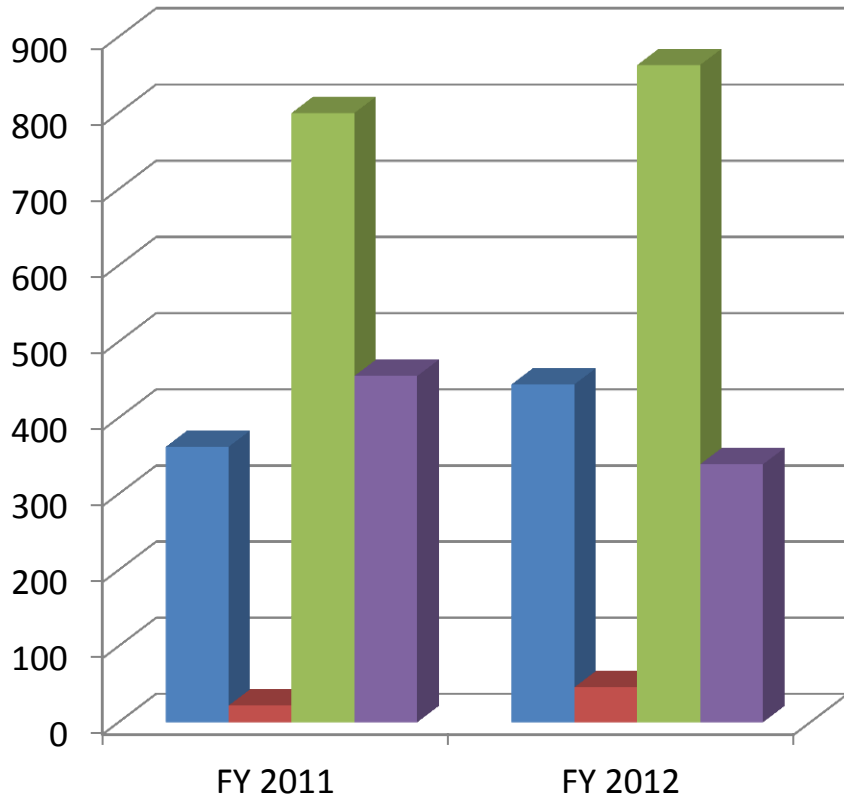


Source: Buck Consultants - National Healthcare Trend Survey

Healthcare Participation

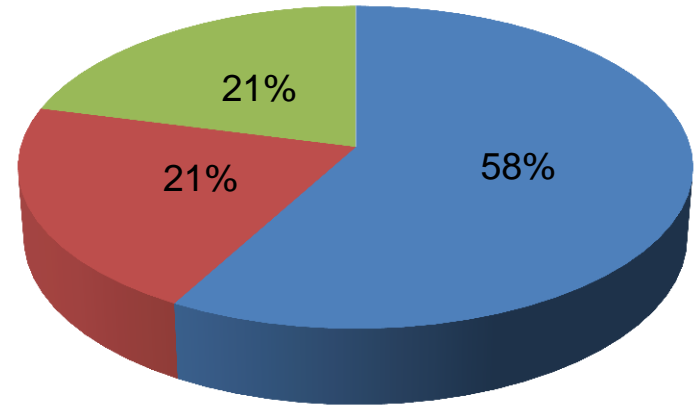
- Approximately 1,700 employees or 75% of all eligible employees participate in a medical plan, either with Kaiser or United Healthcare
 - Increase in HMO participation due to high cost of POS plans
 - Highest participation with United Healthcare
 - Overall 75% participate in HMO; 25% in POS
 - About 60% of participants elect individual coverage

Health Insurance Participation Active Employees



■ Kaiser HMO
 ■ Kaiser POS
 ■ UHC HMO
 ■ UHC POS

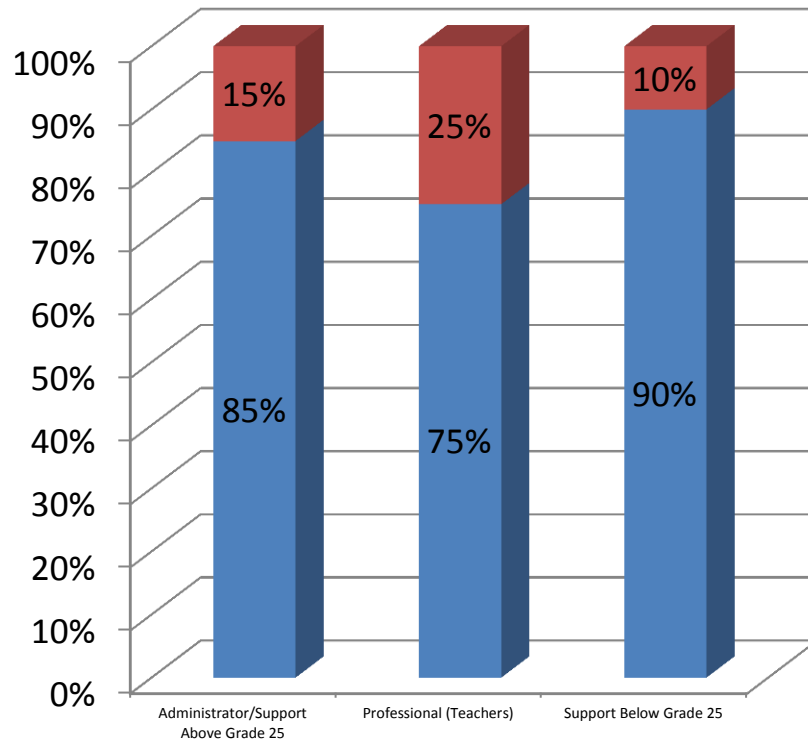
Coverage Type



■ Employee Only
 ■ Employee + 1
 ■ Family

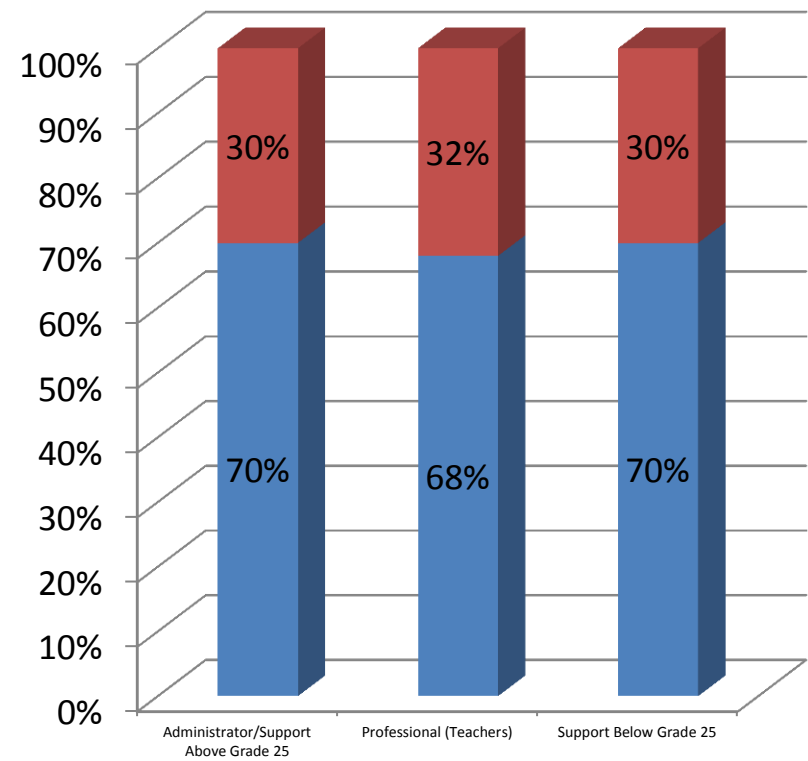
Healthcare Cost Sharing Structure Medical Plans

HMO



■ ACPS ■ Employee

POS

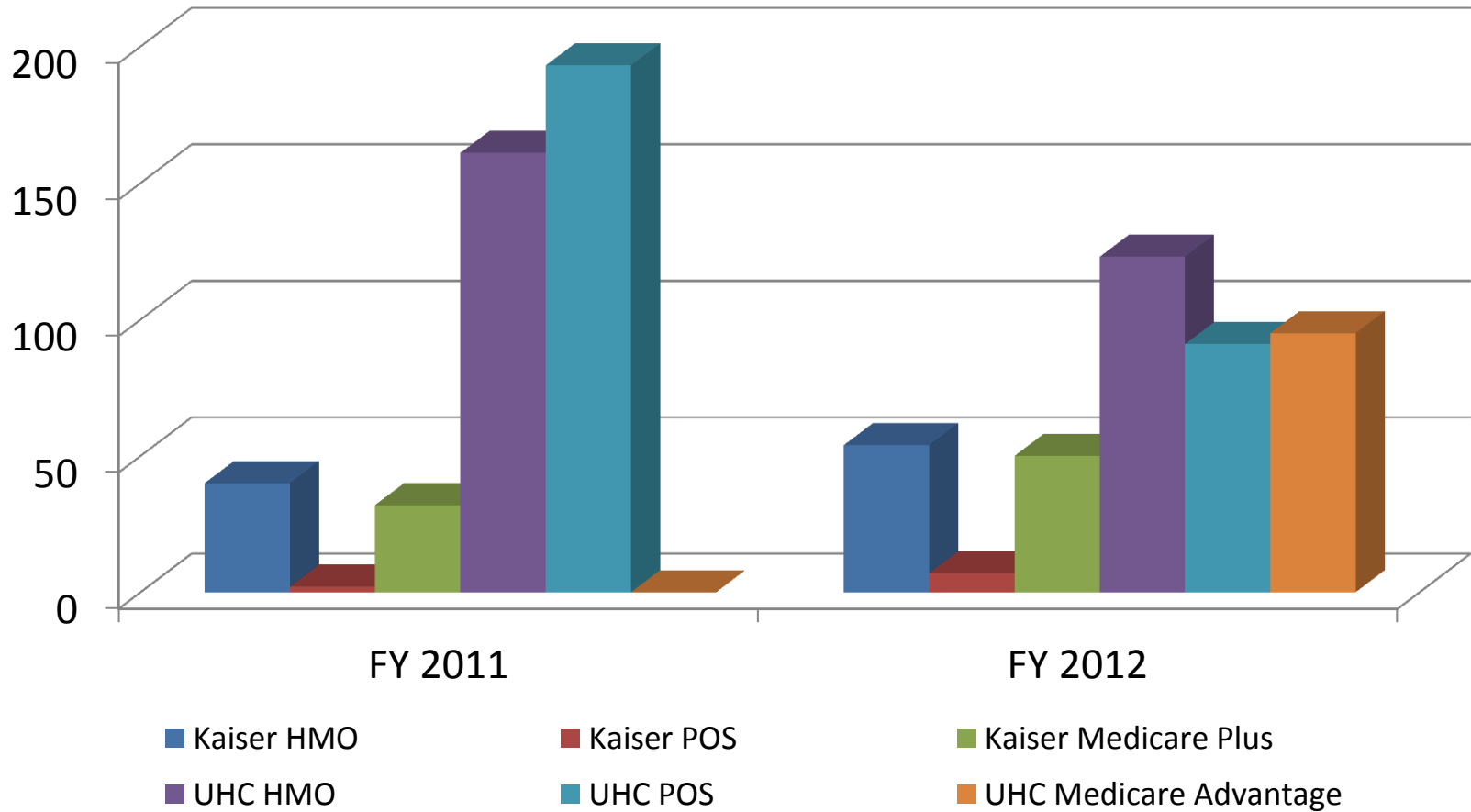


■ ACPS ■ Employee

Retiree Health Insurance

- ACPS offers medical and prescription drug coverage to its retirees
 - ACPS subsidy maximum \$265 per retiree per month
 - Participation has increased over time
 - About 440 retirees and their dependents enrolled in an ACPS medical plan
 - Medicare Advantage Plan was implemented in July 2011 resulting in savings of \$0.1 Million
- Retirees may also continue to enroll in dental and vision plans

Healthcare Participation Retirees



Healthcare Reform Impact

- Patient Protection and Affordable Care Act (PPACA) was signed into law on March 23, 2010, with major changes that will take effect in 2014 and beyond.
- Healthcare Reform requirements in 2012 and 2013 include
 - The cost of health insurance coverage, to be provided to employees in January 2013 for W-2 reporting
 - The development and communication of Summary of Benefits and Coverage with the required contents and format, effective July 1, 2012 for ACPS
 - The lower cap of healthcare flexible spending at \$2,500, effective July 1, 2012 for ACPS
 - Notice of Healthcare Exchange availability must be provided on or after March 1, 2013

Impact of Changes on Employee Net Pay VRS Plan 1 Participants

	Bus Driver		Food Service		Teacher		Assistant Principal	
Fiscal Year	2012	2013	2012	2013	2012	2013	2012	2013
(a) Gross Salary	\$23,221	\$23,569	\$14,721	\$14,942	\$66,052	\$67,373	\$85,099	\$86,800
(b) Life Insurance	\$ 0	\$ 167	\$ 0	\$ 106	\$ 0	\$ 478	\$ 0	\$ 616
(c) Health Insurance	\$ 1,017	\$ 1,157	\$ 1,017	\$ 1,157	\$ 2,246	\$ 2,583	\$ 1,427	\$ 1,633
Net (a)-(b)-(c)	\$22,204	\$22,245	\$13,704	\$13,679	\$63,806	\$64,312	\$83,672	\$84,551
Change (Decrease)		\$ 41		(\$ 25)		\$ 506		\$ 879

For illustrative purposes, employees are assumed to be on Step 9 of their respective salary scale
Assume health insurance to include UHC HMO, Dental and Vision, Individual Coverage

Impact of Changes on Employee Net Pay VRS Plan 2 Participants

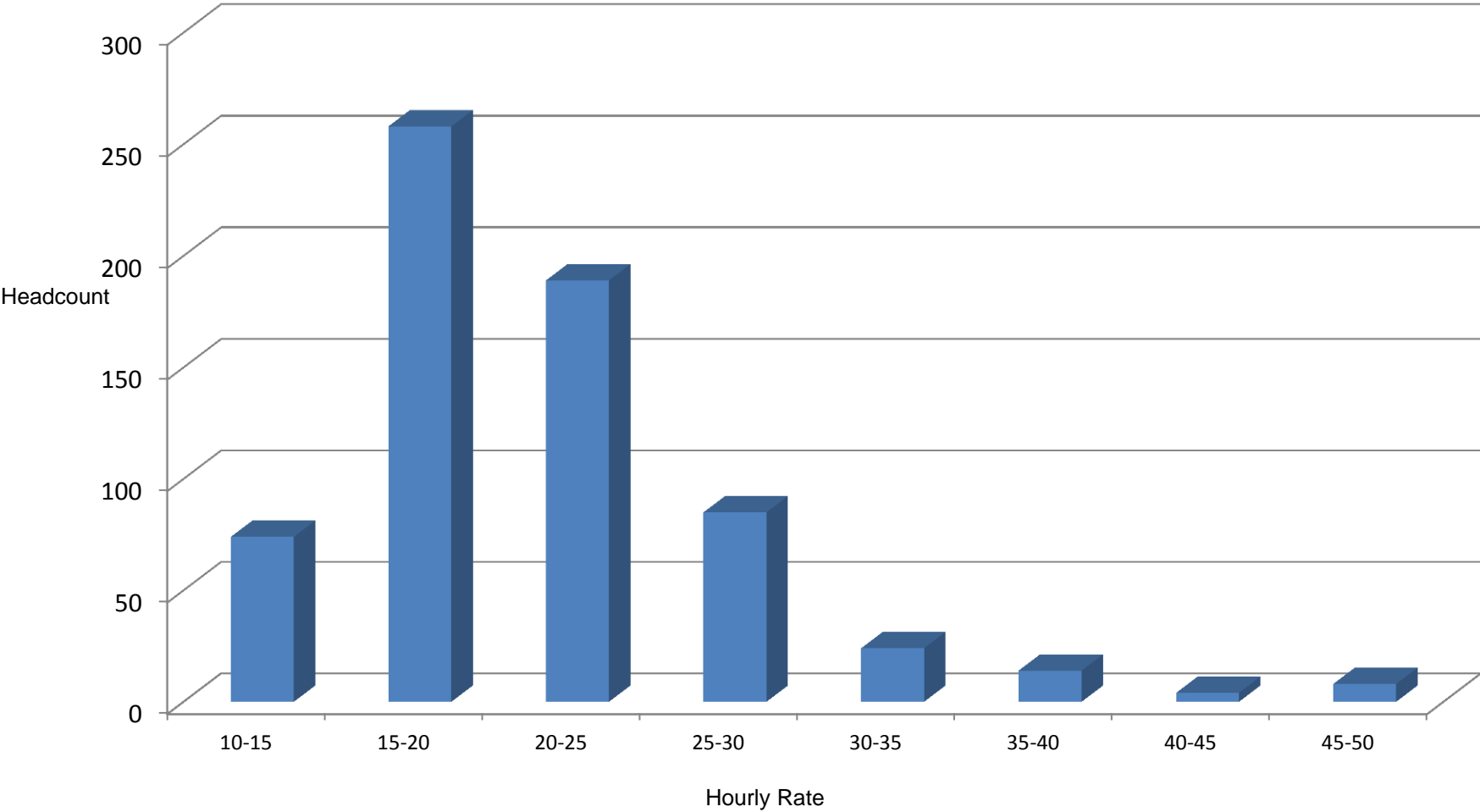
Fiscal Year	Bus Driver		Food Service		Teacher		Assistant Principal	
	2012	2013	2012	2013	2012	2013	2012	2013
(a) Gross Salary	\$23,221	\$23,569	\$14,721	\$14,942	\$66,052	\$67,373	\$ 85,099	\$ 86,800
(b) VRS Retirement	\$ 232	\$ 471	\$ 147	\$ 299	\$ 661	\$ 1,347	\$ 851	\$ 1,736
(c) Life Insurance	\$ 0	\$ 167	\$ 0	\$ 106	\$ 0	\$ 478	\$ 0	\$ 616
(d) Health Insurance	\$ 1,017	\$ 1,157	\$ 1,017	\$ 1,157	\$ 2,246	\$ 2,583	\$ 1,427	\$ 1,633
Net (a)-(b)-(c)-(d)	\$21,972	\$21,774	\$13,557	\$13,380	\$63,145	\$62,965	\$ 82,821	\$ 82,815
Change (Decrease)		(\$ 198)		(\$ 177)		(\$ 180)		(\$ 6)

For illustrative purposes, employees are assumed to be on Step 9 of their respective salary scale
Assume health insurance to include UHC HMO, Dental, Vision, Individual Coverage

Options To Consider

- Not Included in Budget:
 - Market Rate Adjustment
 - Full Year Salary Step Increase (Full Step Implemented Mid-Year Is Funded)
- Included in Budget:
 - Employee Cost Sharing for Life Insurance
 - Additional Employee Cost Sharing for VRS Plan 2 Participants
 - One-Time Payment for Lower-Paid Support Employees To Help with Benefit Cost Increases

Support Employee Hourly Rates



An Option to Help Support Employees

- For Support Employees with Hourly Rate of \$30 or Less
 - One-time payment of \$240 to help with benefit cost increases. Payment will be spread over 24 pay periods.
 - VRS plan 2 participants will receive an additional \$120, for a total of \$360, to help with retirement cost increases
 - Total cost of this option: \$155,000

One-Time Payment To Help Employees VRS Plan 1 Participants

	Bus Driver		Food Service		Teacher		Assistant Principal	
Fiscal Year	2012	2013	2012	2013	2012	2013	2012	2013
(a) Gross Salary	\$ 23,221	\$ 23,569	\$14,721	\$ 14,942	\$ 66,052	\$ 67,373	\$ 85,099	\$ 86,800
(b) Life Insurance	\$ 0	\$ 167	\$ 0	\$ 106	\$ 0	\$ 478	\$ 0	\$ 616
(c) Health Insurance	\$ 1,017	\$ 1,157	\$ 1,017	\$ 1,157	\$ 2,246	\$ 2,583	\$ 1,427	\$ 1,633
(d) One Time Payment	\$ 0	\$ 240	\$ 0	\$ 240	\$ 0	\$ 0	\$ 0	\$ 0
Net (a)-(b)-(c)+(d)	\$22,204	\$ 22,485	\$13,704	\$ 13,919	\$ 63,806	\$ 64,312	\$ 83,672	\$ 84,551
Change (Decrease)		\$ 281		\$ 215		\$ 506		\$ 879

For illustrative purposes, employees are assumed to be on Step 9 of their respective salary scale.
 Assume health insurance to include UHC HMO, Dental, Vision, Individual Coverage.
 Lower-paid employees are Support Employees with hourly rate \$30 or less

One-Time Payment To Help Employees VRS Plan 2 Participants

	Bus Driver		Food Service		Teacher		Assistant Principal	
Fiscal Year	2012	2013	2012	2013	2012	2013	2012	2013
(a) Gross Salary	\$ 23,221	\$ 23,569	\$14,721	\$ 14,942	\$ 66,052	\$ 67,373	\$ 85,099	\$ 86,800
(b) VRS Retirement	\$ 232	\$ 471	\$ 147	\$ 299	\$ 661	\$ 1,347	\$ 851	\$ 1,736
(b) Life Insurance	\$ 0	\$ 167	\$ 0	\$ 106	\$ 0	\$ 478	\$ 0	\$ 616
(c) Health Insurance	\$ 1,017	\$ 1,157	\$ 1,017	\$ 1,157	\$ 2,246	\$ 2,583	\$ 1,427	\$ 1,633
(d) One-Time Payment	\$ 0	\$ 360	\$ 0	\$ 360	\$ 0	\$ 0	\$ 0	\$ 0
Net (a)-(b)-(c)+(d)	\$21,972	\$ 22,134	\$13,557	\$ 13,740	\$ 63,145	\$ 62,965	\$ 82,821	\$ 82,815
Change (Decrease)		\$ 162		\$ 183		(\$ 180)		(\$ 6)

For illustrative purposes, employees are assumed to be on Step 9 of their respective salary scale.

Assume health insurance to include UHC HMO, Dental, Vision, Individual Coverage.

Lower-paid employees are Support Employees with hourly rate \$30 or less