"We are proud to be a part of this community and are here to stay."

- ATLANTIC RAILINGS INC.,
  HAMPTON BUSINESS

HAMPTON VA
15. Retirement and Employee Benefits

<table>
<thead>
<tr>
<th>Table of Contents</th>
<th>Section - Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement and Employee Benefits - Budget</td>
<td>15 - 2</td>
</tr>
<tr>
<td>Retirement and Employee Benefits - Description</td>
<td>15 - 3</td>
</tr>
<tr>
<td>Comparison of Salary Increases vs. Inflation</td>
<td>15 - 5</td>
</tr>
</tbody>
</table>

This section includes the various benefits, along with an explanation of those benefits, funded by the City for its employees.
The Retirement and Employee Benefits appropriation covers the City's share of employee benefit costs including VRS retirement, life insurance, FICA (social security), workmen's compensation, separation pay, unemployment fees and health insurance. Costs involved in compensating employees, general wage increases and specialized incentive pay are budgeted here as well.

The total budget for this department is $46,775,534 which funds the following benefits:

<table>
<thead>
<tr>
<th>Salary Increases and Benefits</th>
<th>FY17 Actual</th>
<th>FY18 Actual</th>
<th>FY19 Budget</th>
<th>FY19 Adjusted Budget</th>
<th>FY20 Budget</th>
<th>Increase/Decrease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accrued Payroll</td>
<td>$320,964</td>
<td>$27,023</td>
<td>$240,000</td>
<td>$240,000</td>
<td>$980,000</td>
<td>$740,000</td>
</tr>
<tr>
<td>Compensation</td>
<td>676,209</td>
<td>1,053,940</td>
<td>2,958,829</td>
<td>1,703,649</td>
<td>4,680,398</td>
<td>2,976,749</td>
</tr>
<tr>
<td>Separation Leave Pay</td>
<td>761,023</td>
<td>1,111,155</td>
<td>866,000</td>
<td>866,000</td>
<td>866,000</td>
<td>0</td>
</tr>
</tbody>
</table>

**Fringe Benefits**

- **FICA Contribution**: 5,864,542
- **Group Life Insurance**: 892,942
- **Hampton Employees Retirement System ("HERS")**: 2,371,161
- **Hospitalization Insurance**: 11,778,769
- **Law Enforcement Officer Retirement Supplement**: 0
- **Line of Duty Pay**: 269,788
- **Medicare Advantage Plan**: 837,851
- **Other Fringe Benefits**: 39,612
- **Unemployment Insurance**: 93,105
- **Virginia Supplemental Retirement ("VRS")**: 10,307,391
- **VRS Disability Program for Hybrid Plan**: 0
- **VRS Hybrid Plan Contribution/Match**: 33,928
- **Wage Works-Flex Spending Accounts**: 7,226
- **Worker's Compensation**: 1,975,560

**Total**: $36,230,072

**Total Actual**: $38,188,503

**Total Budget**: $46,775,534

**Increase**: $4,411,538

**Budget Note**: The reflected increase provides for a 3% general wage increase (GWI) and the continuation of the Citizen Satisfaction Bonus ("Bonus") for qualifying permanent full-time (PFT), permanent part-time (PPT) and when actually employed (WAE) employees who meet certain criteria. The Bonus, which is funded with departmental savings, is based on the percentage of residents indicating satisfaction with employee work performance. The increase for Accrued Payroll is to fund the extra workdays in the pay period that extend beyond the fiscal year. This budget also funds the City's and the employees share of the 2.4% increase in the health insurance premium in order to maximize the GWI. Line of Duty Pay also increased as well as the Worker's Compensation due to increased workplace claims. Funding is also included for an increase in the law enforcement officer's (LEOs) supplemental retirement pay; pay range adjustments for Equipment Operators; and a signing bonus for Fire and Rescue recruit positions. These adjustments will enable the City to remain competitive with neighboring localities. These increases were partially offset by a decrease in VRS as a result of the FY19 voluntary retirement incentive program.
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 3% general wage increase (GWI) to be given to the City’s permanent full-time (PFT), permanent part-time (PPT) and when actually employed (WAE) employees and a Citizen Satisfaction Bonus (the "Bonus") for employees who meet certain criteria. The amount of the Bonus 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 actuarily determined amount. For FY20, the General Fund’s share of the contribution is $2,756,000.

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 FY20, the estimated increase in premiums is expected to be 2.4% for the City and the employees. This increase will be fully absorbed by the City for FY20 in order for to maximize the GWI. Due to the renegotiated contract for FY19, the City continues to realize an overall savings. Both vision and dental plans continued to be offered by the City 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.

Law Enforcement Officers (LEOs) Supplemental Retirement: An additional retirement supplement for all eligible hazardous duty service. As of July 1, 2019, the hazardous duty supplement is $14,244. The average retirement supplemental multiplier for public service employees is 1.7%. The increase in the LEOs multiplier adds another .15% for a total retirement multiplier of 1.85%. This is in addition to the standard supplemental pay.

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. The Line of Duty Pay increases by $150,000 for FY20 to $620,000.
Other Fringe Benefits: This budget represents miscellaneous fringe benefits, such as deferred compensation, as 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 2020.

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 FY20, the Workmen’s Compensation is funded at $2,300,859.
Comparison of Salary Increases vs. Inflation

Fiscal Years 2010-2020

<table>
<thead>
<tr>
<th>Percent Increase in Salaries¹</th>
<th>FY10</th>
<th>FY11</th>
<th>FY12</th>
<th>FY13</th>
<th>FY14</th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19*</th>
<th>FY20</th>
</tr>
</thead>
<tbody>
<tr>
<td>Percent Increase</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>0.0%</td>
<td>1.0%</td>
<td>2.0%</td>
<td>3.0%</td>
<td>2.0%</td>
<td>2.0%</td>
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<td>3.0%</td>
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<tr>
<td>Inflation²</td>
<td>3.2%</td>
<td>2.2%</td>
<td>3.2%</td>
<td>1.8%</td>
<td>1.7%</td>
<td>0.8%</td>
<td>0.9%</td>
<td>1.0%</td>
<td>1.5%</td>
<td>2.3%</td>
<td></td>
</tr>
</tbody>
</table>

* The FY19 estimate is based on the average of the bi-monthly inflation rate from July 2018-January 2019.

* Graph based off of median City of Hampton employee salary of $45,676.

1. Salaries include merit and/or cost-of-living increases for City employees.

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: https://www.usinflationcalculator.com/inflation/consumer-price-index-and-annual-percent-changes-from-1913-to-2008/ It is an estimate only.
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