



ARLINGTON COUNTY, VIRGINIA

County Board Agenda Item Meeting of July 21, 2012

DATE: July 6, 2012

SUBJECT: Review and approve a new Total Compensation Philosophy that incorporates pay, benefits, retirement, and reward principles, and encourages learning opportunities, a work-life balance and a positive work environment.

C. M. RECOMMENDATION:

Approve the attached Total Compensation Philosophy.

ISSUES: The County's compensation philosophy was adopted more than 25 years ago. This philosophy focused on salary, but not benefits or work environment. The County Board asked the Manager to come forward with a revised set of principles and a Total Compensation Philosophy. No issues have been identified.

SUMMARY: The new Total Compensation Philosophy incorporates and updates previously separate retirement and pay principles. The Philosophy supports:

- A. Competitive salaries in our target market (including at least Alexandria, Fairfax and Prince William)
- B. Leave and disability benefits
- C. Offering both a defined benefit and defined contribution retirement program
- D. Affordable health care
- E. Learning opportunities
- F. Enhanced work-life balance
- G. A positive work environment

BACKGROUND: Historically, the County has maintained a compensation philosophy and separate retirement principles. The County's compensation philosophy was last updated in 1986 and retirement principles last updated in 2001.

County Manager:

BMD/mjs

County Attorney:

[Signature]

43.

Staff: Jeanne Wardlaw, Department of Human Resources

The Total Compensation package is one of the tools the County uses to recruit, retain, reward, and develop employees. The proposed philosophy provides a basis for ensuring that our total compensation package is competitive, supports the County's mission and vision, meets employee and organizational needs, and continues to be fiscally sustainable.

The pay philosophy adopted in 1986 stated that Arlington would match salaries at the 75th percentile of the pay range midpoints for all benchmark jobs compared to Alexandria City, Fairfax, Montgomery, and Prince Georges Counties. This comparison was focused on the structure of the entire salary system and did not account for changes in the market for individual classes of work. As competitiveness of pay was measured by an average gap across all classes, County pay began to lag in multiple areas and exceeded the market for others.

DISCUSSION: The new philosophy was developed to ensure that all components of Total Compensation are considered in evaluating the competitiveness of our program and that a balanced approach is taken in setting salary and benefits levels. The philosophy as proposed will allow the County to adjust to changing market conditions as needed and also provides a way to measure pay competitiveness by using jurisdictions that are of similar size and/or structure, that have accessible data and uses a commonly accepted measure as a baseline – the midpoint of the salary range for a particular class of job rather than a blend of many job classes. Those jurisdictions at a minimum will include Alexandria, Fairfax, and Prince William, with consideration of other organizations as needed to establish competitive salaries.

Steps in formulating the new philosophy included:

1. Board work sessions in January and March. Click [here](#) to view the March 27 presentation.
2. Draft versions shared with the Executive Leadership Team, Civil Service Commission and Employee Council which includes representatives from all employee organizations
3. Employee input through the County intranet and multiple employee meetings in May, 2012

The final proposed philosophy incorporates the feedback from all groups. The new philosophy supports recent actions taken by the Manager and the Board to implement a 4-year compensation analysis, to address current competitiveness by restructuring the pay plan, to maintain our retirement investment funding and OPEB funding at the required levels, to restore benefits eliminated as a result of economic conditions, to add new learning and development opportunities; and to promote employee health and wellness by establishing the employee clinic, promoting alternative work schedules through management/employee communications and enhanced technology to support remote workers, and continuing to evaluate options to increase flexibility in our benefits offerings.

FISCAL IMPACT: The total Fiscal Year 2013 budget for Total Compensation is \$393,381,657. Any changes made in pay, benefits or other programs to support the principles of the Total Compensation Philosophy will be funded through the annual budget process.

TOTAL COMPENSATION PHILOSOPHY

As an Employer of Choice, Arlington County recognizes our employees are the foundation of our success. This philosophy provides a broad framework to assist the County in making decisions that impact Arlington County Government total compensation. We strive to offer a meaningful, well-rounded total compensation package that:

- Enables Arlington County to recruit, retain, reward and motivate a high caliber, diverse workforce.
- Provides employees with fair, competitive pay, benefits and retirement options.
- Maintains a highly valued benefits package where the costs of benefits are shared between the County and the employee.

TOTAL COMPENSATION PRINCIPLES

- A. Provide salaries that are competitive in our target market. Our target market consists of those jurisdictions and organizations of similar size and structure that would be our competitors for employees and will include at a minimum Alexandria, Fairfax and Prince William
- B. Provide employees with leave and/or disability benefits that assist in replacing a portion of income lost in order to care for themselves during qualifying periods of illness or absence
- C. Provide a retirement program that offers defined benefit and defined contribution (including deferred compensation) options that will assist employees in achieving their individual retirement goals
- D. Provide affordable healthcare that offers employees the ability to choose the option that best fits their needs
- E. Encourage, support and reward employees at all levels of the organization by offering learning opportunities to promote professional growth and development
- F. Enhance work-life balance through offerings such as: alternative work schedules, employee wellness programs and ancillary benefit programs like walk/bike to work, reduced County recreation fees and transit subsidies
- G. Foster a positive work environment that is meaningful, stimulating and encourages employee innovation and creativity

The total compensation package will be administered in a fiscally responsible manner, taking into consideration the County's financial resources each year. Nothing in this statement should be construed as a required benefit.

The Human Resources Department will develop and publish operational policies to ensure the total compensation package is in compliance with these principles and supports our status as an Employer of Choice. Reports will be available annually.