



FAQs

June 25, 2011 Compensation Changes

State employees who are in the Virginia Retirement System's VRS Plan 1, the State Police Officers' Retirement System (SPORS) Plan 1, or the Virginia Law Officers Retirement System (VaLORS) Plan 1 defined benefit plans will receive a 5% salary increase effective June 25, 2011. This increase is due to the requirement that these employees begin paying the 5% member contribution on a pre-tax salary reduction basis effective June 25, 2011 (July 16, 2011 paycheck).

Employees in VRS Plan 2, SPORS Plan 2, or VaLORS Plan 2 already pay the 5% member contribution and will not receive the 5% increase.

Employee Eligibility

1. Who is subject to the June 25, 2011 5% Salary Adjustment and July 1, 2011 Plan 1 Contribution?

All classified and other salaried employees, except elected officials, who are in VRS Plan 1, SPORS Plan 1, or VaLORS Plan 1, will receive a 5% increase and begin contributing 5% of their salaries to the retirement system effective June 25, 2011. Plan 1 employees are active employees with service credit (or an Optional Retirement Plan account balance) prior to July 1, 2010.

2. Who is NOT subject to the June 25, 2011 5% Salary Adjustment and July 1, 2011 Plan 1 Contribution?

Employees in VRS Plan 2, SPORS Plan 2, or VaLORS Plan 2 already pay the 5% member contribution and will not receive the 5% increase. Also, employees in the Optional Retirement plan (ORP), elected officials, employees in the Judicial Retirement System (JRS), and wage employees are unaffected by the 5% member contribution and will not receive a 5% increase in their pay. Plan 2 employees are active employees who only have service credit (or an ORP account balance) for work on or after July 1, 2010.

3. How do I find out what VRS Plan I am in?

Access the Virginia Retirement System's myVRS online system (<https://www.varetire.org/myVRS/>), check your pay stub, or contact your agency human resource office.

4. Are employees whose positions are funded entirely by federal grants or other special funding sources subject to this change?

As with other general, performance, or across-the-board increases that are funded in the state budget, the increase applies to employees whose positions are funded by grants or other special funding sources in addition to those funded by the General Fund.

5. Are wage employees eligible for the 5% salary adjustment?

No, wage employees do not participate in the VRS programs and will not be required to contribute 5% of their pay to the retirement system, so they will not receive a 5% increase in their hourly rates effective June 25, 2011.

6. Will employees whose salaries are at or near the maximum of their pay bands receive the 5% adjustment?

Yes, the 5% salary adjustment applies regardless of the position of employees' salaries in the pay bands because the 5% retirement contribution will apply to these employees' salaries.

7. Will employees whose salaries are frozen above the maximum of their pay bands receive the 5% adjustment?

Yes, employees whose salaries are above the pay band maximum will receive the 5% salary increase effective June 25, 2011. Those employees whose salaries are subject to reduction, on or after June 25, 2011, to the pay band maximum (six months after a Voluntary Demotion, Demotion in lieu of Layoff, or Downward Role Change that occurred before June 25, 2011) should be reduced to an amount 5% above the pay band maximum.

8. Are employees retiring on July 1, 2011 eligible for the June 25th 5% salary adjustment?

If an employee retiring on July 1, 2011 ceases employment on or before June 24, 2011 (the end of the June 10 through June 24, 2011 pay period) the employee is not eligible for a 5% salary increase effective June 25, 2011. However, if the employee's agency allows the employee to work through the end of the month, June 30, 2011, the employee will receive the 5% increase effective June 25, 2011. These employees' earnings for the June 25 through June 30 days are not VRS creditable compensation so the 5% member retirement contribution will not apply to them.

9. Will employee performance ratings affect eligibility for the salary adjustment?

There is no performance requirement for eligibility for the salary increase effective June 25, 2011, so performance ratings will not affect employees' eligibility for the increase.

Effect on Employees' Compensation

10. Will the 5% Plan 1 contribution be taxed or deposited into my Plan 1 account pre-tax?

The 5% member retirement contribution will be deducted from employees' salaries on a pre-tax basis. This will reduce employees' current tax liability compared with a post-tax deduction.

11. Will this change affect my "take home pay"?

Employees should not see a large change in their take home pay because the intent is for the 5% increase to offset the 5% member retirement contribution. However, each employee's situation is somewhat unique, depending on his or her salary and the deductions that are taken from his or her paycheck. Therefore, it is likely that take home amounts may change somewhat as a result of payroll deductions.

Also, take home pay may be reduced somewhat because the 5% member retirement contribution will be based on the new, higher salary. Thus, the amount deducted will be slightly higher than the amount of the increase. For example, an employee with a salary of \$50,000 will receive an increase to \$52,500. The 5% deduction will be applied to the \$52,500 salary, so \$2,625 will be deducted on an annual basis, leaving the employee with a net salary of \$49,875, or \$125 per year less than before the change if other factors are ignored. Having the deduction made before taxes are applied should offset some of this loss through tax savings.

In addition, the higher annual salary will result in an increase in the FICA tax deduction and other salary-based withholdings like Optional Life Insurance.

12. When will I see the changes in my paycheck?

The 5% salary increase and the 5% member retirement contribution will first appear in the July 16, 2011 paycheck.

13. Can all or part of the salary adjustment be deposited into Deferred Compensation?

The June 25, 2011 salary adjustment becomes a part of an employee's new regular salary. As such, part or all of the increase may be deferred, subject to VRS Defined Contribution Plan guidelines and limitations. As noted above, actual take-home pay will not increase because employees receiving the 5% salary increase will also

have a deduction of 5% for retirement. As a result, any increase in your deferral would also impact your take-home pay.

14. How will the 5% adjustment affect my retirement benefit calculation?

The 5% salary increase effective June 25, 2011 will increase employees' creditable compensation by 5%. Any future salary increases will be applied to this higher, June 25, 2011 salary. Therefore, any months beginning July 2011 that are included in an employee's Average Final Compensation (AFC) will increase the employee's retirement benefit accordingly. Plan 1 employees who retire on or after July 1, 2014, who work until that time, and who do not experience a salary reduction for any reason after June 25, 2011, will accrue a full 5% increase in their retirement benefit as a result of the June 25, 2011 salary increase.

15. Will this change affect my other benefits?

The salary increase amount is subject to payroll deductions for Social Security and Medicare. This may result in an increase in an employee's future Social Security entitlement depending on his or her individual situation. It may also result in an increase in group life insurance coverage and optional life insurance coverage, including a corresponding increase in the premiums to be withheld.

Calculating the Increases

16. How will the employee's new salary be calculated?

If PMIS indicates that an employee is employed 100% (40 hours per week) for 12 months, PMIS will multiply the employee's current annual salary (including cents if there any) by 1.05 and the result will be rounded to the nearest dollar (.5 and above rounds up). If the employee is employed for less than 100% and 12 months, the calculated result will be rounded to the nearest cent.

17. Is the 5% adjustment calculated on base pay or total state pay?

PMIS records for affected employees will automatically reflect a 5% adjustment to base state salary effective June 25, 2011. Special rate differentials and non-state salary supplements, which are entered into PMIS as annual salary amounts, will be adjusted by employees' agencies if appropriate. Temporary Pay (other than for military supplements) is not creditable compensation and will not be increased by 5% effective June 25, 2011. Other supplemental payments, such as overtime pay, will be adjusted by 5% as they are earned.

18. Do special rates count toward the calculation of the 5% salary adjustment?

Special rate differentials, which are entered into PMIS as annual salary amounts, will be adjusted by employees' agencies if appropriate. Agencies paying special rate differentials as flat amounts will determine whether or not to increase those amounts.

19. Do “non-state salary” supplements count toward the calculation of the 5% salary adjustment?

Yes, non-state salary supplements, which are paid to certain appointed employees as well as Virginia Department of Health employees in the northern Virginia area, are considered VRS creditable compensation, so the 5% employee contribution to the VRS will apply to these payments. However, since the amounts of these payments are determined by non-state entities, the amounts will not be increased automatically by 5% effective June 25, 2011. Affected state agencies will need to process any adjustments to non-state supplements individually.

20. Does Temporary Pay count toward the calculation of the 5% salary adjustment?

Temporary Pay is paid when an agency assigns an employee to perform different key (essential) duties on an interim basis, for critical assignments associated with a special time-limited project, or for employees serving in an acting capacity in a higher level position. Because these assignments are temporary, the additional pay associated with them is not creditable for retirement purposes. The 5% member contributions will not affect employees' Temporary Pay amounts, so these amounts will not be automatically adjusted effective June 25, 2011.

Processing the Increases

21. What sequence will be followed if there are other employee status changes effective June 25, 2011?

Actions such as promotions that are keyed into PMIS prior to June 25, 2011 to become effective on that date will be processed before the 5% salary increases are applied. Such actions should be keyed into PMIS by the close of business on June 24, 2011. Promotions or other actions that change employees' salaries after June 25, 2011 should not be keyed into PMIS until after the 5% increases have been applied.

22. What happens to employees on leave?

- a) *Otherwise qualified employees who are on short-term disability or other paid leave will receive 5% increases effective June 25, 2011.*
- b) *Employees on long-term disability-working will also have the salary adjustment applied to their current rates of pay **upon their full time return to work**. The adjustment does not apply to individuals who are on long-term disability-non-working.*
- c) *Employees on leave without pay are not eligible for the 5% increases until they return to work or paid leave.*
- d) *Eligible employees on leave without pay-military will have their active military supplements adjusted to reflect the 5% salary increase*

- e) *A salary increase will not be automatically applied for any employee who has an overdue leave end-date or short-term disability end-date of March 25, 2011 or earlier in PMIS. Agencies should review and update these employees' records on an individual basis and process their salary increases after their Return-to-Work transactions have been entered into PMIS.*

NOTE: These rules are based on policies that apply to classified employees.

23. What PMIS transaction should agencies use to update the salaries of employees on leave without pay or, for less than 12-month employees, who are not actively working on June 25, 2011, in order to grant the 5% adjustment when they return to work?

The transaction PSE545 should be used to effect the increases for these employees on the appropriate effective date. A transaction to return the employees from leave should be entered before the PSE545 is entered.

In situations where there are over 100 employees to be entered, agencies may upload a file for batch processing rather than keying in the PSE545 transactions. Agencies may send one batch file for all of these employees (e.g., one file for those effective 7/10 and those effective 7/25, which DHRM could process on 7/10 and 7/25, respectively) or separate files for different effective dates where there are over 100 employees per file. The batch file(s) can be either in Excel or a text file, but all fields must be text datatype- retaining any leading zeros. Files should contain agency-number, position, employee-id, and effective-date (YYYYMMDD, e.g., 20110625) to fully identify the employee in PMIS. The salary adjustment will be calculated using the current base salary (see Question 17) in PMIS on the effective date.

24. How will the salary increases be processed for employees who are indicated in PMIS as working less than 12 months each year?

The salaries of employees in this group will not be processed automatically effective June 25, 2011, because PMIS will not know whether the employees are in an active employment period on that date.

- a) *For employees who are actively employed on June 25, 2011, agencies should process the increase effective on that date using the PSE545 transaction or by uploading a file as described in the answer to question 22 above. Files to implement the June 25, 2011 increases should be submitted to DHRM no later than June 15, 2011 to ensure timely processing of the salary adjustments.*
- b) *If there are employees in the above category (working less than 12 months and working on June 25, 2011) who will be paid part of their annual salary after their work period has been completed (e.g., work 10 months but paid over 12 months), agencies should apply the 5% salary increase and 5% member retirement contribution to their pay for the work performed beginning June 25, 2011 and to the additional pay due after their work periods have been*

completed. DOA will provide separate communication to agencies with employees in this category.

- c) For employees who have completed their annual work period before June 25, 2011 and are not active on that date, agencies should effect the 5% salary increases when the employees return to work. If employees in this category, in CIPPS payroll agencies, continue to be paid after June 25, 2011 (e.g., work 10 months but paid over 12 months), the agencies will need to manually adjust payroll records to eliminate the 5% employee member retirement contributions effective June 25, 2011 until the employees return to work. DOA will provide separate communication to agencies with employees in this category.*

25. Will DHRM provide data review files to PMIS agencies as were provided for the December 1, 2010 employee bonuses?

Yes, files will be provided as follows beginning June 2, 2011:

- a) A bar-delimited file named Five4Five-agency-date.txt, listing PMIS employees selected as eligible for the 5% automatic salary adjustment effective June 25, 2011, will be placed in agencies' HuRMan repository folders.*
- b) Another file, named Five4Five-12MO-agency-date.txt, will list those employees whose salary increases will not be processed automatically because the employees are indicated in PMIS as working less than 12 months.*
- c) A third file, named Five4Five-EXC-agency-date.txt, will list those employees whose salary increases will not be processed automatically due to their having leave end-date or short-term disability end-date of March 25, 2011 or earlier in PMIS.*

Agencies should review the reports for accuracy and completeness. For more information about the review files, and to keep abreast of ITech's broadcast messages, agencies can visit ITech's website, <http://web1.dhrm.virginia.gov/itech/>.

26. If a 12-month administrative faculty employee's contract ends June 30, 2011 and a new contract begins July 1, how will the employee's salary be treated on June 25, 2011?

In this situation, the administrative faculty employee will be actively employed on June 25, 2011, so the 5% salary increase and 5% member retirement contribution will be effective on that date, regardless of any other salary actions that may occur effective July 1, 2011. For payroll, the pay and member retirement deductions for these employees for the June 25-July 9, 2011 pay period will need to be calculated using a weighted average of the two rates for the number of days at each rate.

Other

27. Will the Commonwealth's Salary Structure be adjusted by 5%?

No, the salary bands in the classified salary structure that became effective November 25, 2007 remain in effect for fiscal year 2012.

28. Will there be a performance increase effective November 25, 2011, in addition to the June 25, 2011 increase?

The General Assembly did not approve funding for performance increases effective November 25, 2011. Therefore, agencies may not provide salary increases based on performance during the October 25, 2010 to October 24, 2011 performance cycle.