



***Budgeting the
Legislative Increase
and Labor Market
Adjustment
Reserve***

Integrity

Innovation

Teamwork

Excellence

Agenda

- Distribution of Statewide Salary & Benefits Reserves
- Legislative Increase
- Retirement and Retiree Supplement Reserve
- Health Plan Funding
- Return/Request for Additional Funds
- Pay Plan Reserve
- Labor Market Adjustment Reserve

Distribution of Statewide Salary & Benefits Reserves



Statewide Salary & Benefits Reserves - How are they Administered?

- The General Assembly appropriates General Funds to State Agencies in reserves to fund the pay increase and related benefits
- Certification: Statewide NCFS Accounts:
 - 57204000 Reserve - Legislative Increase
 - 57206000 Reserve - Retirement System Contributions
 - 57208000 Reserve - State Health Plan Contributions
 - 48T00001 Reserve - Retiree Supplement
- The Legislative Increase (LI) process involves multiple revisions that must be submitted and approved in a certain sequence

Revision Approval Sequence*

Revision 1: Legislative Increase

Revision 2: Recurring Retirement

Revision 3: Nonrecurring Retirement

Revision 4: Recurring Health Plan Contributions

Revision 5: Return Reserves to Salary Adjustment Reserve

Revision 6: Realignment to offset Reserve Account Deficits

Revision 7: Request Funds from Salary Adjustment Reserve

Revision 8: Request Funds from Pay Plan Reserve

*Certain revisions are optional and dependent upon agency need

Legislative Increase



What is a Legislative Increase?

- The Legislative Increase (LI) refers to mandatory State Employee pay increases enacted by the General Assembly
- [SL 2023-134](#) appropriated the following funds to support LI in the 2023-25 biennium for eligible State Employees:
 - **FY 2023-24: 4% recurring increase**
 - FY 2024-25: 3% recurring increase (processed after FY 2024-25 Certification)

Please note:

- The LI appropriation covers both the amount of the salary increase as well as the respective benefits (FY 2023) cost increase associated with the LI
- These funds cannot be used to cover preexisting salary and benefits deficits



Who is eligible to receive the Legislative Increase?

- The LI Reserve can only be budgeted to support increases for General Fund-supported (partially or fully) personnel employed as of July 1, 2023
- The cost of the increase and associated benefits for receipt-supported positions must be covered by an increase in receipts
 - The agency must have sufficient actual receipts collected to support the increase

Please note:

- The LI Reserves can be used to support increases for positions indirectly supported by the General Fund of another agency
- Agencies may give increases to temporary positions, but may not use appropriated statewide reserves to cover the increase



How to Calculate LI Distribution?

Resources

- B0061 – Legislative Increase Detail Report (Fiori BOBJ)
- BD701 as of June 30, 2023

Calculations

- **Salary Increase** = Current General Fund Supported Salaries x 4%
- **Change in Longevity** = Actual Longevity Payments as of June 30, 2023 x 4%
- **Social Security Benefits** = (Salary Increase + Change in Longevity) x 7.65%
- **Retirement Benefits** = (Salary Increase + Change in Longevity) x 22.94% (FY 2022-23 TSERS Retirement Contribution Rate)



Example Revision - LI

Integrated Budget Information | Budget FY22 2.5% Legislative Inc

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Fund(101810)Totals				\$24,899.00	\$24,899.00	\$1,401,277.00	\$1,557,902.00
101811	51210000	SPA-REG SALARIES		\$139,075.00	\$139,075.00	\$5,891,507.00	\$6,042,118.00
101811	51460000	EPA&SPA-LONGVTY PAY		\$1,677.00	\$1,677.00	\$79,710.00	\$80,560.00
101811	51510000	SOCIAL SEC CONTRIB		\$10,768.00	\$10,768.00	\$489,121.00	\$489,432.00
101811	51520000	REG RETIRE CONTRIB		\$30,516.00	\$30,516.00	\$1,480,132.00	\$1,622,812.00
Fund(101811)Totals				\$182,036.00	\$182,036.00	\$7,940,470.00	\$8,234,922.00
101812	51210000	SPA-REG SALARIES		\$48,832.00	\$48,832.00	\$1,862,176.00	\$1,901,746.00
101812	51460000	EPA&SPA-LONGVTY PAY		\$528.00	\$528.00	\$20,418.00	\$21,124.00
101812	51510000	SOCIAL SEC CONTRIB		\$3,777.00	\$3,777.00	\$143,538.00	\$139,825.00
101812	51520000	REG RETIRE CONTRIB		\$10,702.00	\$10,702.00	\$431,877.00	\$471,422.00
Fund(101812)Totals				\$63,839.00	\$63,839.00	\$2,458,005.00	\$2,534,117.00
101813	51210000	SPA-REG SALARIES		\$15,149.00	\$15,149.00	\$608,892.00	\$592,078.00
101813	51460000	EPA&SPA-LONGVTY PAY		\$90.00	\$90.00	\$8,098.00	\$8,493.00
101813	51510000	SOCIAL SEC CONTRIB		\$1,166.00	\$1,166.00	\$88,369.00	\$72,975.00
101813	51520000	REG RETIRE CONTRIB		\$3,304.00	\$3,304.00	\$191,171.00	\$156,870.00
Fund(101813)Totals				\$19,709.00	\$19,709.00	\$896,530.00	\$830,416.00
101815	51210000	SPA-REG SALARIES		\$431.00	\$431.00	\$11,838.00	\$1,555.00
101815	51510000	SOCIAL SEC CONTRIB		\$33.00	\$33.00	\$907.00	\$115.00
101815	51520000	REG RETIRE CONTRIB		\$94.00	\$94.00	\$2,645.00	\$381.00
Fund(101815)Totals				\$558.00	\$558.00	\$15,390.00	\$2,051.00
101819	51210000	SPA-REG SALARIES		\$3,236.00	\$3,236.00	\$118,201.00	\$79,330.00
101819	51460000	EPA&SPA-LONGVTY PAY		\$33.00	\$33.00	\$756.00	\$548.00
101819	51510000	SOCIAL SEC CONTRIB		\$251.00	\$251.00	\$8,602.00	\$5,528.00
101819	51520000	REG RETIRE CONTRIB		\$709.00	\$709.00	\$27,119.00	\$19,570.00
Fund(101819)Totals				\$4,229.00	\$4,229.00	\$154,678.00	\$104,976.00
101821	51210000	SPA-REG SALARIES		\$15,615.00	\$15,615.00	\$652,608.00	\$832,127.00
101821	51460000	EPA&SPA-LONGVTY PAY		\$183.00	\$183.00	\$6,468.00	\$10,839.00
101821	51510000	SOCIAL SEC CONTRIB		\$1,209.00	\$1,209.00	\$48,679.00	\$64,253.00
Fund(101821)Totals				\$17,007.00	\$17,007.00	\$707,755.00	\$907,219.00
101821	51520000	REG RETIRE CONTRIB		\$3,426.00	\$3,426.00	\$151,301.00	\$212,545.00
Fund(101821)Totals				\$20,433.00	\$20,433.00	\$859,056.00	\$1,119,764.00
101823	51110000	EPA-REG SALARIES		\$2,604.00	\$2,604.00	\$106,746.00	\$112,482.00
101823	51210000	SPA-REG SALARIES		\$2,700.00	\$2,700.00	\$124,390.00	\$192,320.00
101823	51460000	EPA&SPA-LONGVTY PAY		\$210.00	\$210.00	\$8,602.00	\$9,484.00
101823	51510000	SOCIAL SEC CONTRIB		\$422.00	\$422.00	\$18,362.00	\$23,601.00
101823	51520000	REG RETIRE CONTRIB		\$1,196.00	\$1,196.00	\$55,214.00	\$77,088.00
Fund(101823)Totals				\$7,132.00	\$7,132.00	\$313,314.00	\$414,975.00
101999	57204000	RES-LEGIS INCR COMPENSATN		(\$598,625.00)	(\$598,625.00)	\$0.00	\$0.00
Fund(101999)Totals				(\$598,625.00)	(\$598,625.00)	\$0.00	\$0.00

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101821	51520000	REG RETIRE CONTRIB		\$3,426.00	\$3,426.00	\$151,301.00	\$212,545.00
Fund(101821)Totals				\$20,433.00	\$20,433.00	\$859,056.00	\$1,119,764.00
101823	51110000	EPA-REG SALARIES		\$2,604.00	\$2,604.00	\$106,746.00	\$112,482.00
101823	51210000	SPA-REG SALARIES		\$2,700.00	\$2,700.00	\$124,390.00	\$192,320.00
101823	51460000	EPA&SPA-LONGVTY PAY		\$210.00	\$210.00	\$8,602.00	\$9,484.00
101823	51510000	SOCIAL SEC CONTRIB		\$422.00	\$422.00	\$18,362.00	\$23,601.00
101823	51520000	REG RETIRE CONTRIB		\$1,196.00	\$1,196.00	\$55,214.00	\$77,088.00
Fund(101823)Totals				\$7,132.00	\$7,132.00	\$313,314.00	\$414,975.00
101999	57204000	RES-LEGIS INCR COMPENSATN		(\$598,625.00)	(\$598,625.00)	\$0.00	\$0.00
Fund(101999)Totals				(\$598,625.00)	(\$598,625.00)	\$0.00	\$0.00

Attachments

Name	Type	Size	Date	Uploaded By
Copy of B0061_Legislative_Increase_Detail Admin (updated) - Pivot Table.xlsx	application/vnd.openxmlformats-officedocument.spreadsheetml.sheet	245851 Bytes	2/9/22	Prentice Hunt

AUDIT INFORMATION

Created by Prentice Hunt on 01/31/2022 10:38 AM
Submitted by Prentice Hunt on 02/09/2022 11:30 AM
Validated by Mercidee Benton on 02/09/2022 12:19 PM
Approved by Mercidee Benton on 02/09/2022 12:19 PM

Attachment of Agency Calculations

Both Years of the Revision are the Same Totals

Retirement and Retiree Supplement Reserve



Retirement Contribution Revisions

- [SL 2023-134](#) increased contribution rates to the retirement systems on a recurring and nonrecurring basis to cover the cost of a one-time retiree supplement.
- As such, there will be **two revisions** necessary for these retirement contribution adjustments. The first revision will be for **recurring adjustments**. The second revision will be for **non-recurring adjustments**.

System	FY 2022-23 Recurring Rate	FY 2023-24 Recurring Rate	FY 2023-24 Total Rate (R+NR)	Adjustment Factors for Revisions	
				FY 2023-24 Recurring Change	FY 2023-24 Non-recurring Change
TSERS	22.94%	23.82%	25.02%	0.88%	1.20%
LEO	27.94%	28.82%	30.02%	0.88%	1.20%
CJRS	43.63%	39.98%	42.42%	-3.65%	2.44%
ORP	13.56%	13.96%	14.09%	0.40%	0.13%
LRS	28.67%	25.75%	27.79%	-2.92%	2.04%



How to Distribute Recurring Retirement?

Resources

- BD701 after LI revision interfaces with NCFS
 - Accounts 511XXXXX, 512XXXXX, and 51460000

Calculations (TSERS)

- **Retirement Benefits** = (General Fund-Supported Salary + Longevity) x 0.88%* (FY 2023-24 Recurring Retirement Contribution Rate Change)
- **Note: The rate used will depend on which retirement system is relevant to your agency/employees (See slide 10 or the LI and Benefits Job Aid for the full list)*



How to Distribute Non-Recurring Retiree Supplement Reserve?

Resources

- BD701 after LI revision interfaces with NCFS
 - Accounts 511XXXXX, 512XXXXX, and 51460000

Calculations (TSERS)

- **Requirements:**
 - **Retirement Benefits** = (General Fund-Supported Salary + Longevity) x 1.20% (FY 2023-24 Non-Recurring Retirement Contribution Rate Change)
- **Receipts:**
 - The non-recurring retirement increase is funded using receipts from the Retiree Supplement Reserve for General Fund-supported positions.
 - These receipts, certified in account 48T00001, funding source 1000 , should be distributed to the appropriate budget funds in line with the distribution of non-recurring retirement requirements.

**Note: The rate used will depend on which retirement system is relevant to your agency/employees (See slide 10 or the LI and Benefits Job Aid for the full list)*

Health Plan Adjustment



How to Distribute State Health Plan Contributions?

- [SL 2023-134](#) increased recurring contribution rates to the State Health Plan

Please Note:

- Changes to Health Plan benefits are budgeted based on the position, not the employee

Resources

- B0149 – Positions by Funding Source Report (Fiori BOBJ)

Calculations

- **Retirement Benefits** = (General Fund-Supported FTE Count) x \$160



Common Mistakes when Processing LI and Benefits Revisions

- Agencies attempt to budget both years raises
 - Agencies should only process FY 2023-24 raises for both years of the FY 2023-25 Biennium and leave additional funds budgeted in for FY 2024-25 in their Reserves for FY 2024-25.
- Agencies use Non-Recurring Funds to cover Recurring Shortfalls (or vice versus)
 - Agencies need to only budget recurring funds to cover recurring shortfalls.

Returning Reserves and Requests for Additional Funding



Returning Reserves and Additional Fund Requests

- After completing revisions for LI, Retirement Contributions, and State Health Plan Contributions, agencies must return excess reserves to the **Salary Adjustment Reserve (Budget Code 19004)**
- If an agency has deficits in a reserve account after initial reserve distribution, they must realign any excess reserves from other statewide reserve accounts to cover the shortfall
- Recurring funds must be used for recurring shortfalls and non-recurring adjustments for non-recurring shortfalls
- **After realignment**, agencies may request additional funding from the Salary Adjustment Reserve to cover any remaining deficits

Please Note:

Amounts realigned between reserve accounts as well as those requested from/returned to the Salary Adjustment Reserve will be **budgeted for both FY 2023-24 and FY 2024-25 in the revision** and will be the same in both years.

Pay Plan Reserve



Pay Plan Reserve

- What is the Pay Plan Reserve?
 - Per GS 143C-4-9(a), funds in the Pay Plan Reserve are available to agencies for statutory or scheduled salaries and benefits expenses where the appropriation is insufficient.
- If applicable, after January 1, 2024, an agency should submit:
 - A detailed description of the pay plan design, including the salary or salary range at each step within the pay plan and the criteria for movement between steps of the pay plan.
 - Proof to OSBM that the agency has exhausted or is projected to exhaust funds appropriated for statutory or scheduled salary and benefit expenses.
- If approved by OSBM, the agency will submit a type-11 revision to request funds from Budget Code 19060.
- For more information, please review the [Pay Plan Calculation Job Aid](#).

Labor Market Adjustment Reserve



What is the Labor Market Adjustment Reserve?

- [SL 2023-134](#) establishes the Labor Market Adjustment Reserve (LMAR) to be used by agencies to address specific staffing issues by providing targeted salary increases to recruit and retain capable labor.
- The Appropriations Act placed in most agencies' budgets LMAR funding equal to the cost of providing a one and one-half percent (1.5%) increase of the agency's appropriated salaries and the increase in associated benefits
- Like other salary and benefits items, LMAR funds are established within statewide reserve accounts to be budgeted by the agency via type-11 revision



Restrictions on LMAR Distribution

1. “Any increase provided to an employee shall not exceed the greater of **fifteen thousand dollars (\$15,000)** or **fifteen percent (15%)** of their current base salary.”
2. “Any increase provided to an employee **may not result in the employee's salary exceeding the maximum salary** of the salary range associated with the position.”
3. “No more than **twenty-five percent (25%) of the agency's permanent employees** may receive a salary increase.”
4. “Funds may not be awarded to employees in positions with **salaries set in law** or **paid based on an experience-based salary schedule** that is eligible to receive funding from the Pay Plan Reserve.”
5. “Funds must be used to increase salaries paid to employees and shall not be used to **supplant other funding sources** or for any other purpose.”

Please Note:

- Distributions must be applied to positions partially or fully supported by the General Fund
- LMAR may be used to raise salaries to minimum of market
- Distributions may be applied to vacant positions or time limited positions



How to Distribute Labor Market Adjustment Reserves?

Notes

- Do not submit LMAR revisions until **after all LI revisions are approved**
- If an LMAR increase is retroactive to July 1, use a July 2 date on the HR action

Calculations

- **Requirements:**
 - **Salary Increase** = Amount identified by agency
 - **Social Security Benefits** = Salary Increase x 7.65%
 - **Retirement Benefits Y1** = Salary Increase x Total FY 2023-24 Retirement Rate (R+NR)
 - **Retirement Benefits Y2** = Salary Increase x Recurring FY 2023-24 Retirement Rate



Key Dates

- Initial Distribution and Realignment of LI and Benefits Accounts must be completed by **Friday Jan 5, 2024**
- Excess LI and Benefit reserves must be returned to the Salary Adjustment Reserve (OSBM BC 19004) by **Friday Jan 5, 2024**
- Requests from the Salary Adjustment Reserve to cover LI and Benefit reserve shortfalls must be submitted by **Friday Jan 12, 2024**
- Deadline for Pay Plan Reserve requests will be shared once LI process is complete

Questions?



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