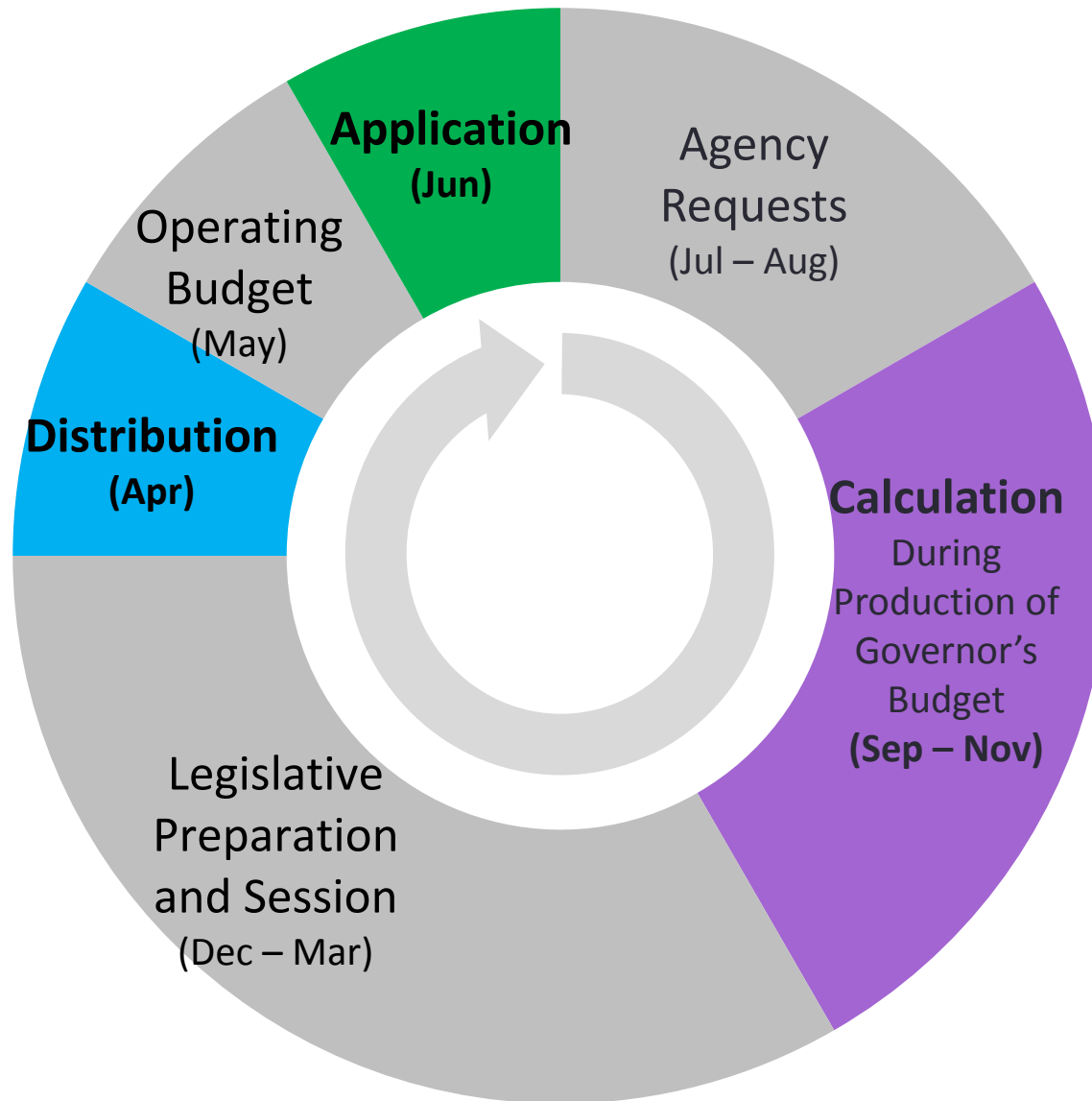


Salary Policy Presentation to the Joint Committee on Appropriations

South Dakota
Bureau of Finance and Management

01/17/14

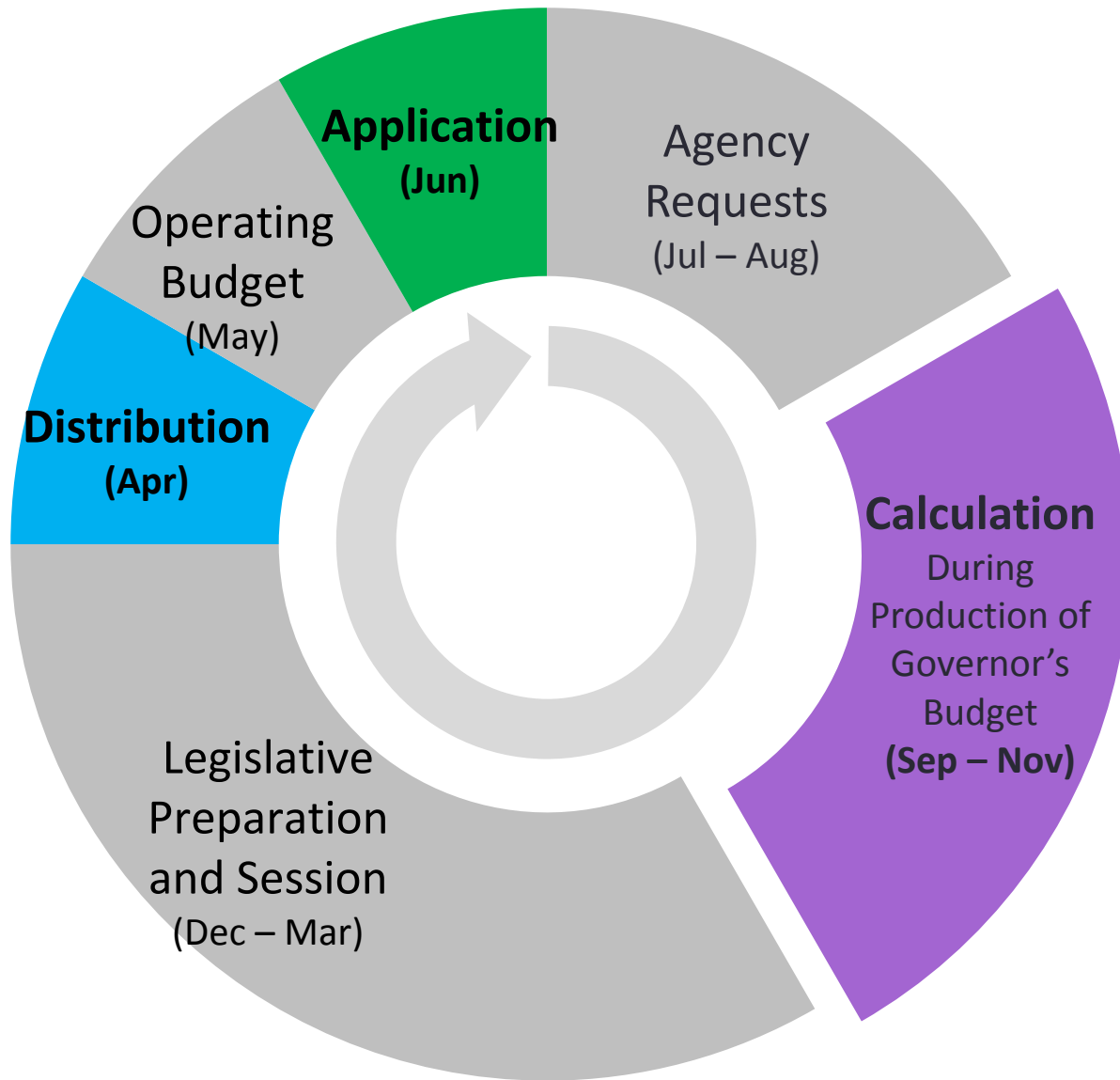
Salary Policy Fiscal Year Cycle



Recommended FY2015 State Employee Compensation Plan

- 3% Across-the-Board Increase/Market Adj.
- 3% Movement Toward Job Worth (PACE)
- 0-4.5% Pay for Performance (Career Bands)
- Targeted Compensation Adjustments
- 18.6% Health Insurance increase

Calculation of Salary Policy



Across-the-Board Increase

Calculation

- The increase for each agency is calculated as 3% on the Governor's recommended salary budget
- Certain areas are excluded from this increase
- Employer-paid benefit costs are calculated on an agency-specific rate against the salary increase
- Total increase is split by general, federal and other funds based on the recommended personal services budget of each agency
- Contractual services increases for inter-agency billings are then calculated

Movement Toward Job Worth (PACE)

Calculation

- For each eligible employee, a 3% increase is calculated on the annual salary
- Capped at the job-worth of the pay grade after adjusting the range
- Cost of employer-paid benefits is calculated on this increase
- Total increase for each employee is split by general, federal and other funds based on that position's payroll expenditure history
- The individual increases are totaled by agency and contractual services for inter-agency billing increases are added

Pay for Performance (Career Bands)

Calculation

- For each eligible employee, an increase is calculated based on an average performance score and the annual salary
- Cost of employer-paid benefits is calculated on this increase
- Total for employee is split by general, federal and other funds based on that position's payroll expenditure history
- The individual increases are totaled by agency and contractual services for inter-agency billing increases are added

Targeted Compensation Adjustments

Calculation

- Results of Total Compensation Market Analysis study were still being reviewed when the budget numbers were determined
- Recommended budget amount was calculated as the equivalent of an additional 0.5% of movement towards job worth
- Targeted as many high-priority areas as reasonably would fit within the recommended budgeted amounts

Health Insurance

Calculation

- After all plan changes have been made, the actuary provides claims estimates
- Plan need is determined based on revenue and expense projections from financial statements
- The number of benefitted employees for the next fiscal year is estimated
- Calculate change to cost per benefitted employee
- Determine agency budget impact of new rate
- General, federal and other splits are based on total personal service budget
- Calculate changes to inter-agency billings

Proposed Health Insurance Rates

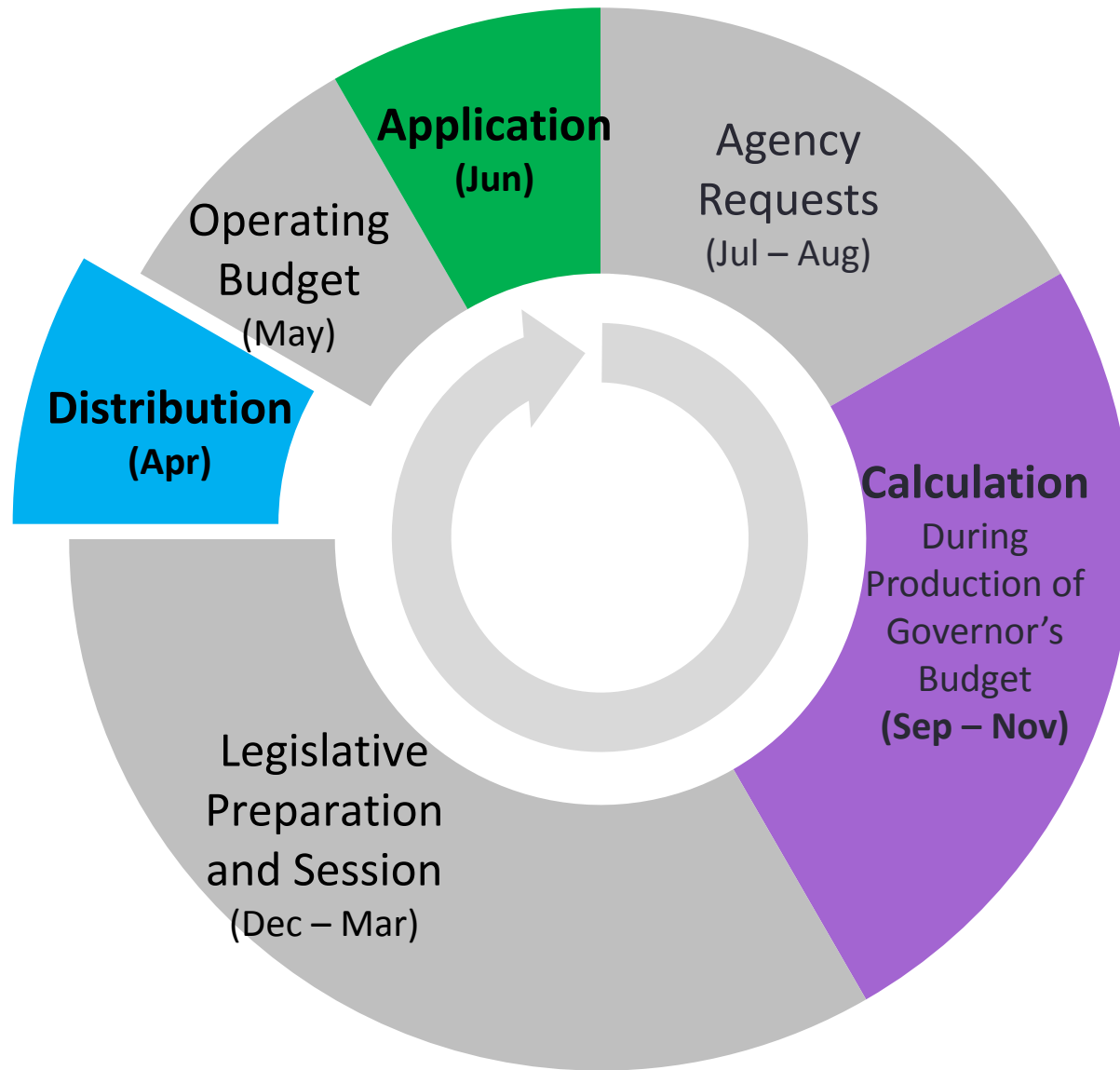
	FY2014	FY2015
FY2014 Base	\$7,269	\$7,269
Claims Increase	\$1,800	\$1,353
Build \$3m Reserve *	\$ 235	
New Rate / Benefitted EE	\$9,304	\$8,622
Percent Increase	28.0%	18.6%

* Actuary recommended a \$6m reserve

FY2015 Recommended State Employee Compensation Plan

Recommended Increases	General	Federal	Other
3% Across-the-Board and Market Increases	\$9,772,471	\$5,442,344	\$11,678,982
3% Adjustment Toward Job Worth (PACE)	\$2,797,040	\$1,346,040	\$1,828,378
0-4.5% Pay for Performance (Career Bands)	\$585,673	\$544,366	\$1,587,957
Targeted Compensation Adjustments	\$454,727	\$224,340	\$304,730
Employee Health Insurance Increase	\$6,756,462	\$3,902,062	\$7,286,652
Total Cost of Recommendation	\$20,366,373	\$11,459,152	\$22,686,699
Remaining FY2014 Compensation Pool	\$(32,711)	\$(190,766)	\$(464,725)
Total Increase for Compensation Plan	\$20,333,662	\$11,268,386	\$22,221,974

Distribution of Salary Policy



Across-the-Board Increase

Distribution

- Total agency increases by general, federal and other funds are prorated to the lowest level centers separately
- Employer-paid benefit amounts are distributed by general, federal and other funds prorated by the benefits budget (excluding health insurance)
- Certain budget units are excluded from this distribution
- Load contractual services sub-components so agencies can pay for inter-agency billings
- Reconcile

Movement Toward Job Worth (PACE)

Distribution

- Distributed only into budget units PACE employees are paid from
- General, federal and other amounts for each budget unit are prorated against salary budget
- Both salary and benefit amounts are distributed in this fashion
- Load contractual services sub-components into agency budgets
- Reconcile

Pay for Performance (Career Bands)

Distribution

- P4P amounts are distributed into only the budget units affected
- An assumed performance score or preliminary performance scores (if available) are used to assist in the distribution
- General, federal and other funds are prorated to the lowest level centers separately
- Load contractual services sub-components into agency budgets
- Reconcile

Targeted Compensation Adjustments

Distribution

- Intent is to distribute it only into the budget units of the affected employees
- General, federal and other funds are prorated to the lowest level centers separately
- Reconcile

Health Insurance

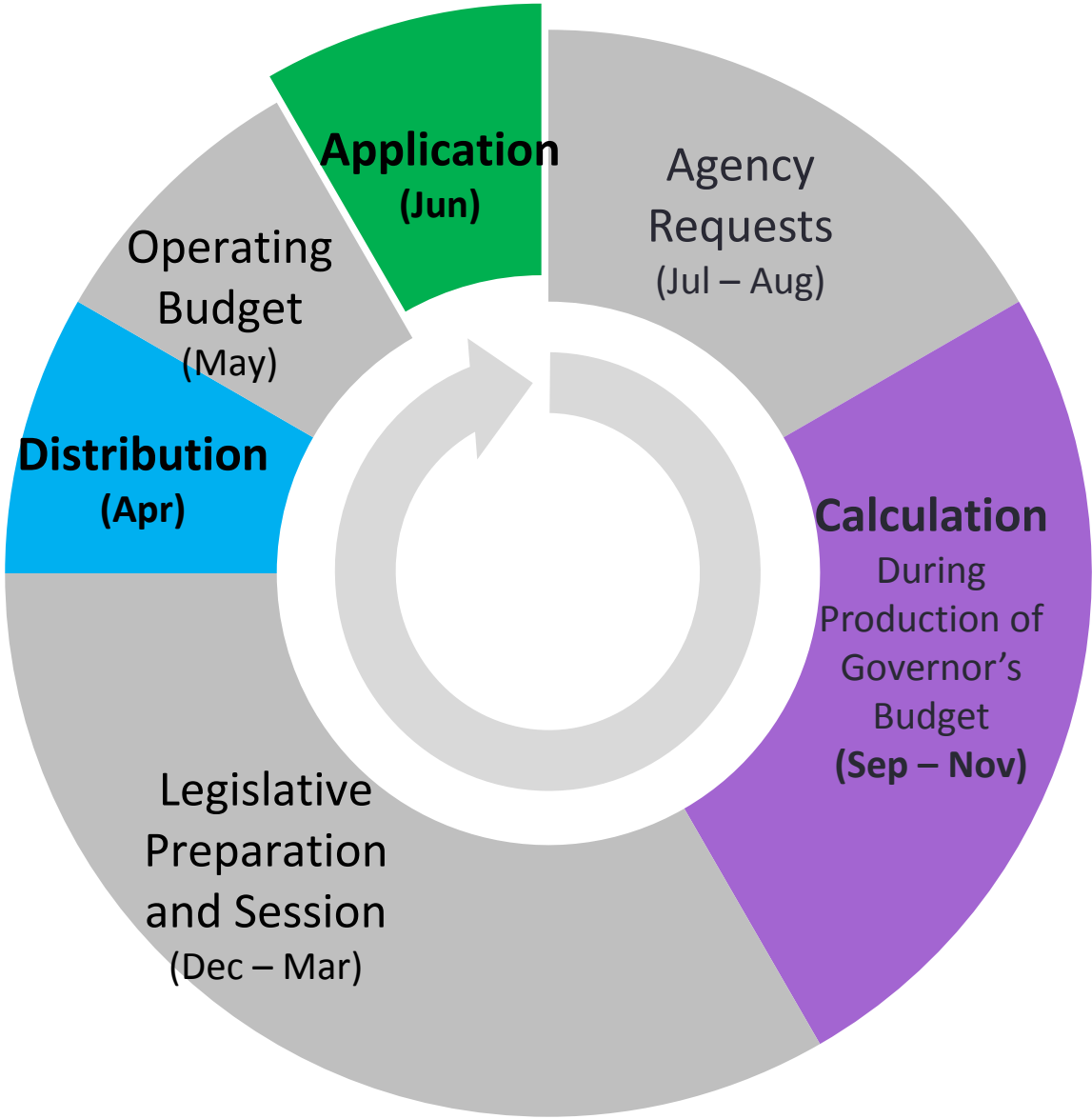
Distribution

- Employer-paid health insurance is distributed proportionately into the areas where the agency's health insurance budget is loaded
- General, federal and other funds are prorated to the lowest level centers separately
- Budget units that do not participate in the state health insurance program do not receive any distribution even if they have budget
- Load contractual services sub-components
- Reconcile

Reconcile Distribution with General Bill

- The amount distributed for each component is tracked by general, federal and other and by personal services and operating expenses
- Must remain within the confines of the appropriation
- As the distribution occurs, each amount is reduced from the appropriated pool
- Typically there are some amounts left in the pool which simply revert

Application of Salary Policy



Questions?