Salary Policy Presentation to the Joint Committee on Appropriations

South Dakota Bureau of Finance and Management

01/17/14
Salary Policy Fiscal Year Cycle

- Legislative Preparation and Session (Dec – Mar)
- Operating Budget (May)
- Distribution (Apr)
- Application (Jun)
- Agency Requests (Jul – Aug)
- Calculation During Production of Governor’s Budget (Sep – Nov)
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

- Operating Budget (May)
- Distribution (Apr)
- Legislative Preparation and Session (Dec – Mar)
- Application (Jun)
- Agency Requests (Jul – Aug)
- Calculation During Production of Governor’s Budget (Sep – Nov)
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

<table>
<thead>
<tr>
<th></th>
<th>FY2014</th>
<th>FY2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY2014 Base</td>
<td>$7,269</td>
<td>$7,269</td>
</tr>
<tr>
<td>Claims Increase</td>
<td>$1,800</td>
<td>$1,353</td>
</tr>
<tr>
<td>Build $3m Reserve *</td>
<td>$ 235</td>
<td></td>
</tr>
<tr>
<td>New Rate / Benefitted EE</td>
<td>$9,304</td>
<td>$8,622</td>
</tr>
<tr>
<td>Percent Increase</td>
<td>28.0%</td>
<td>18.6%</td>
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</tbody>
</table>

* Actuary recommended a $6m reserve
## FY2015 Recommended State Employee Compensation Plan

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

- **Legislative Preparation and Session (Dec – Mar)**
- **Agency Requests (Jul – Aug)**
- **Operating Budget (May)**
- **Calculation During Production of Governor’s Budget (Sep – Nov)**
- **Distribution (Apr)**
- **Application (Jun)**

Additional notes:

- Distribution (April)
- Legislative Preparation and Session (December – March)
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
Questions?