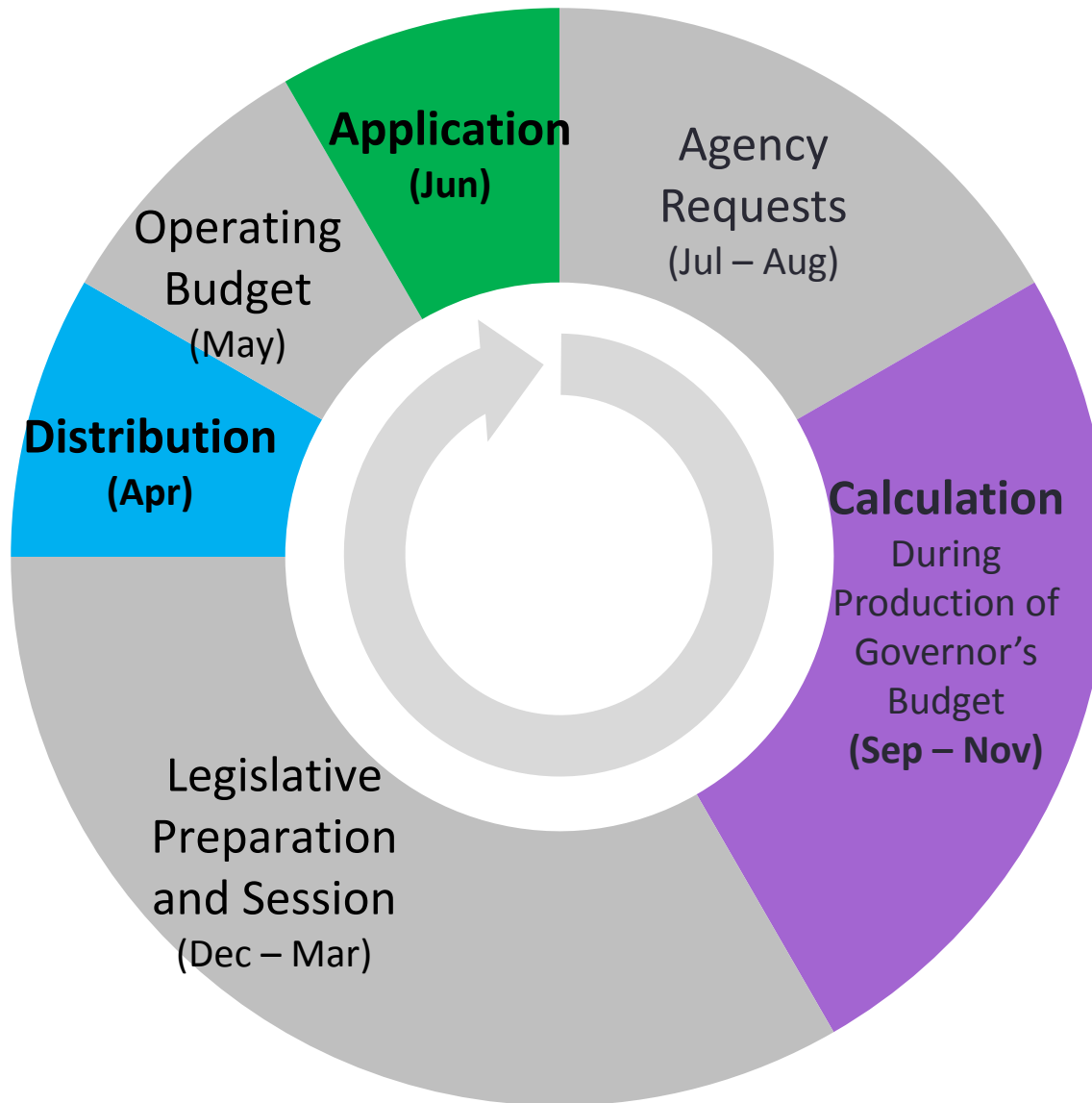


# Salary Policy Presentation to the Joint Committee on Appropriations

South Dakota  
Bureau of Finance and Management

01/16/15

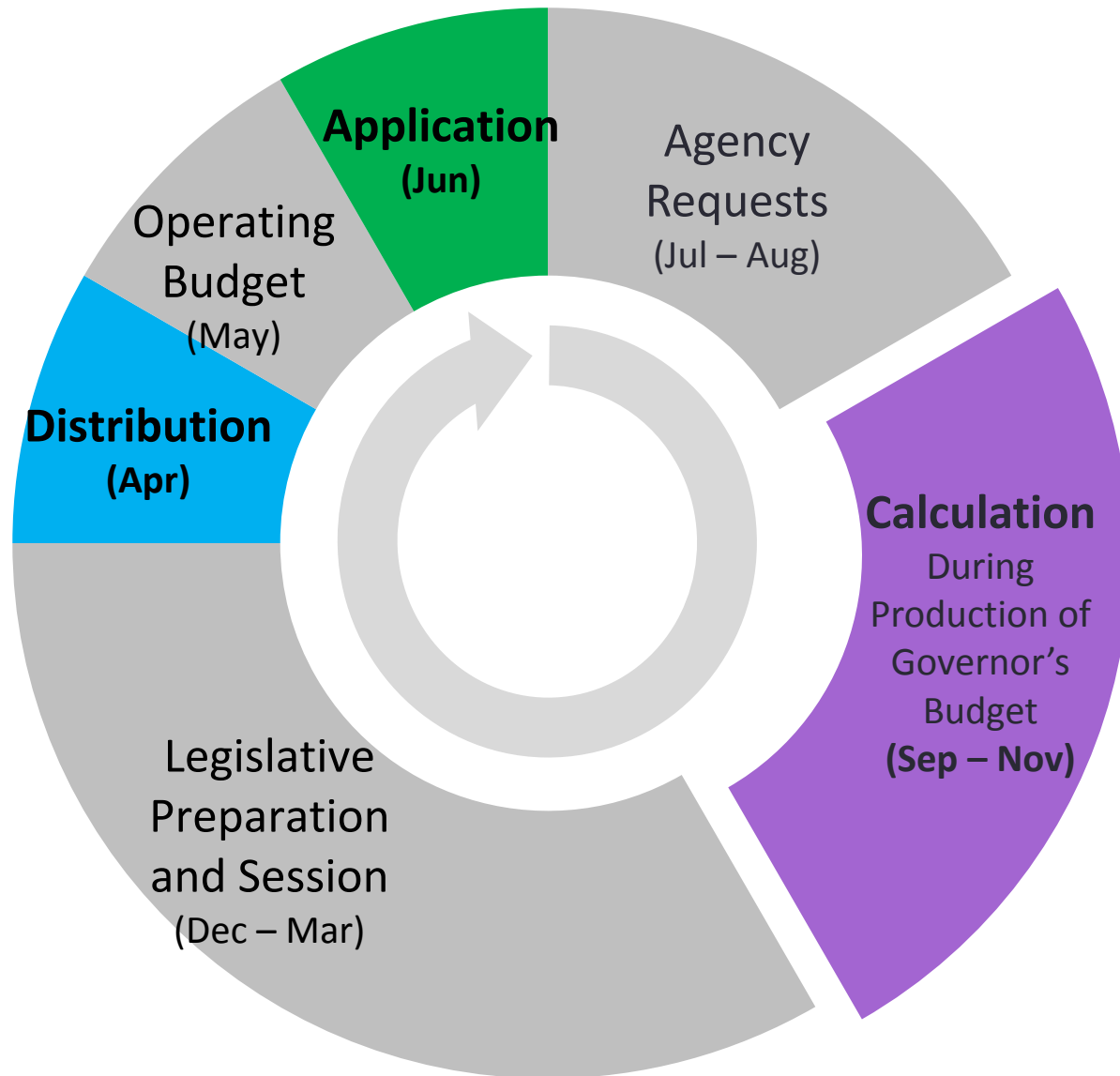
# Salary Policy Fiscal Year Cycle



# Recommended FY2016 State Employee Compensation Plan

- Market Adjustments
  - Family Specific for Career Bands
  - 2% for all other Permanent Employees
- Movement Toward Market Value
  - 0-4.5% Pay-for Performance for Career Bands
  - 2.5% for the General Pay Structure
- Health Insurance
  - No Recommended Increase to the Budget

# Calculation of Salary Policy



# Market Adjustments

## Calculation

- The increase for each agency is calculated as a percentage on the agency's salary budget
  - Certain areas are excluded from this increase
  - Career Band market adjustments are applied
- Employer-paid benefit costs are calculated at an agency-specific blended rate
- Total increase is split by general, federal and other funds based on the personal services budget of each agency
- Contractual services increases for inter-agency billings are then calculated

# Movement Toward Market Value

## Calculation

- For each eligible employee, a 2.5% flat increase or average performance increase is calculated on next fiscal year's annual salary
- Capped at the market Value of the pay grade
- 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

# Health Insurance

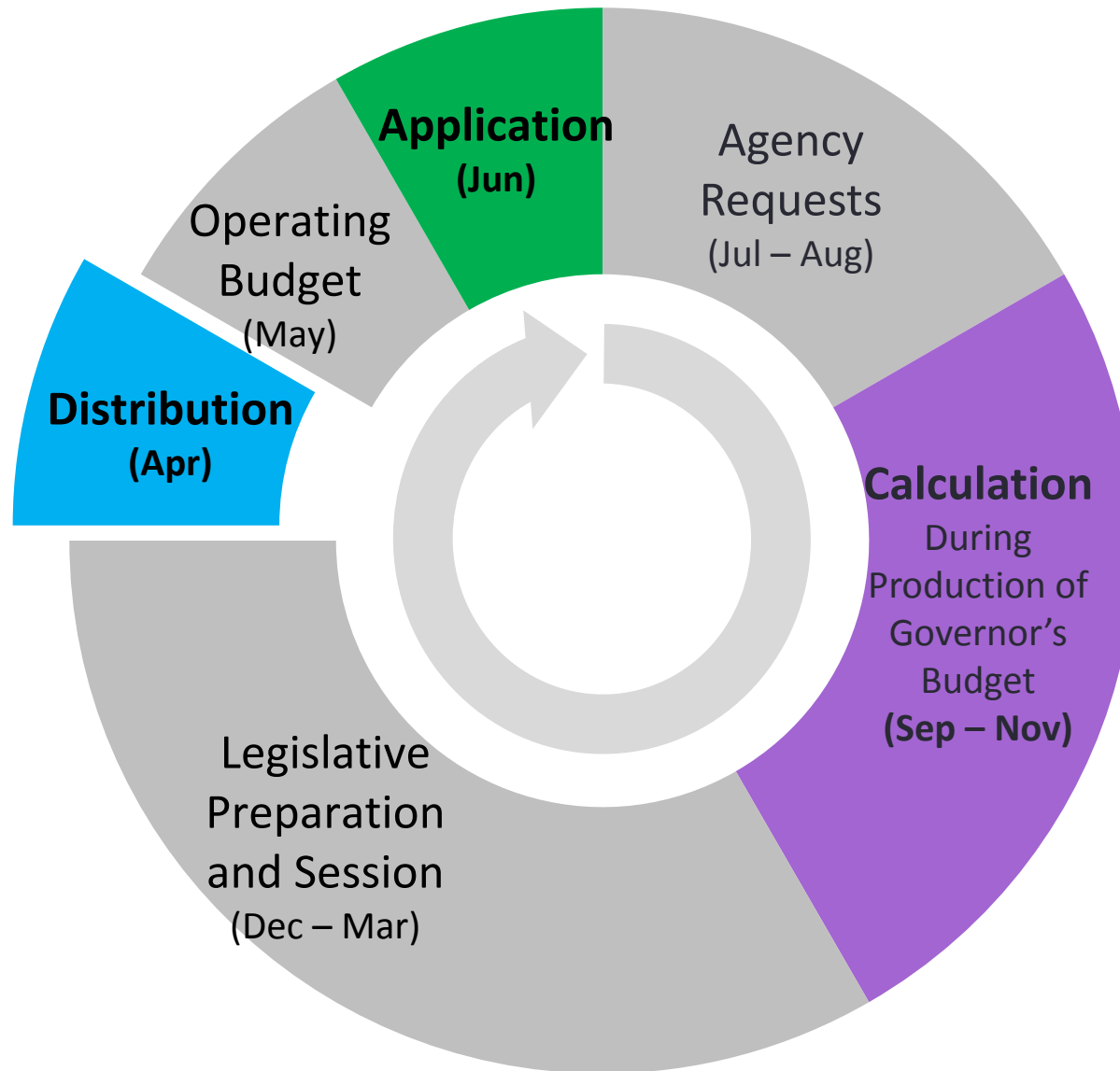
## Calculation

- After 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 new 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

# FY2016 Recommended State Employee Compensation Plan

Recommended Increases	General	Federal	Other
2.0% Market Adjustment	\$6,718,056	\$3,073,351	\$7,662,490
2.5% Movement Toward Market Value	\$3,858,561	\$2,040,320	\$3,265,492
0-4.5% Pay for Performance (Career Bands)	\$558,136	\$455,735	\$1,156,407
Employee Health Insurance Increase	\$0	\$0	\$0
Total Cost of Recommendation	\$11,134,753	\$5,569,406	\$12,084,389
Remaining FY2015 Compensation Pool	\$(935)	\$(741)	\$(3,595,785)
Total Increase for Compensation Plan	\$11,133,818	\$5,568,665	\$8,488,604

# Distribution of Salary Policy



# Market Adjustment

## Distribution

- Total agency increases by general, federal and other funds are prorated to the lowest level budget centers
- 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 so departments can pay for inter-agency billings
- Reconcile

# Movement Toward Market Value

## Distribution

- Specific amounts are distributed only into budget units from which employees are paid
- 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

# Health Insurance

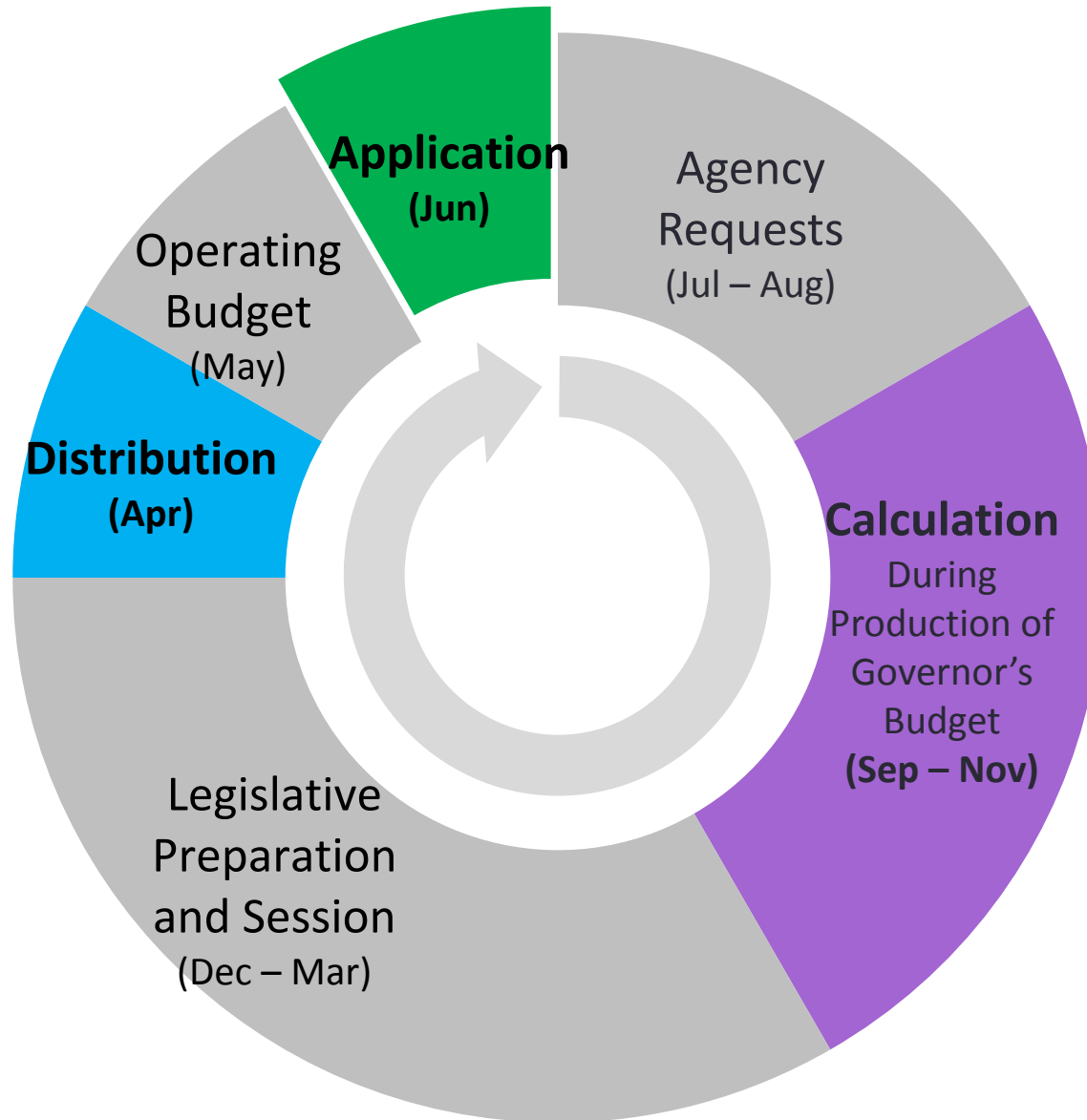
## Distribution

- 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
- Entire process takes about one week
- 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?