

State of South Dakota

Compensation & Benefits

BOP's Strategic Priorities

- **Talent Acquisition**

Provide agencies with the resources needed to attract and hire the best talent available.

- **Talent Retention**

Provide agencies with the tools and information needed to retain mission-critical talent.

- **Talent Management**

Help agencies develop and effectively use talent to maximize employee performance and increase agency efficiency and productivity.

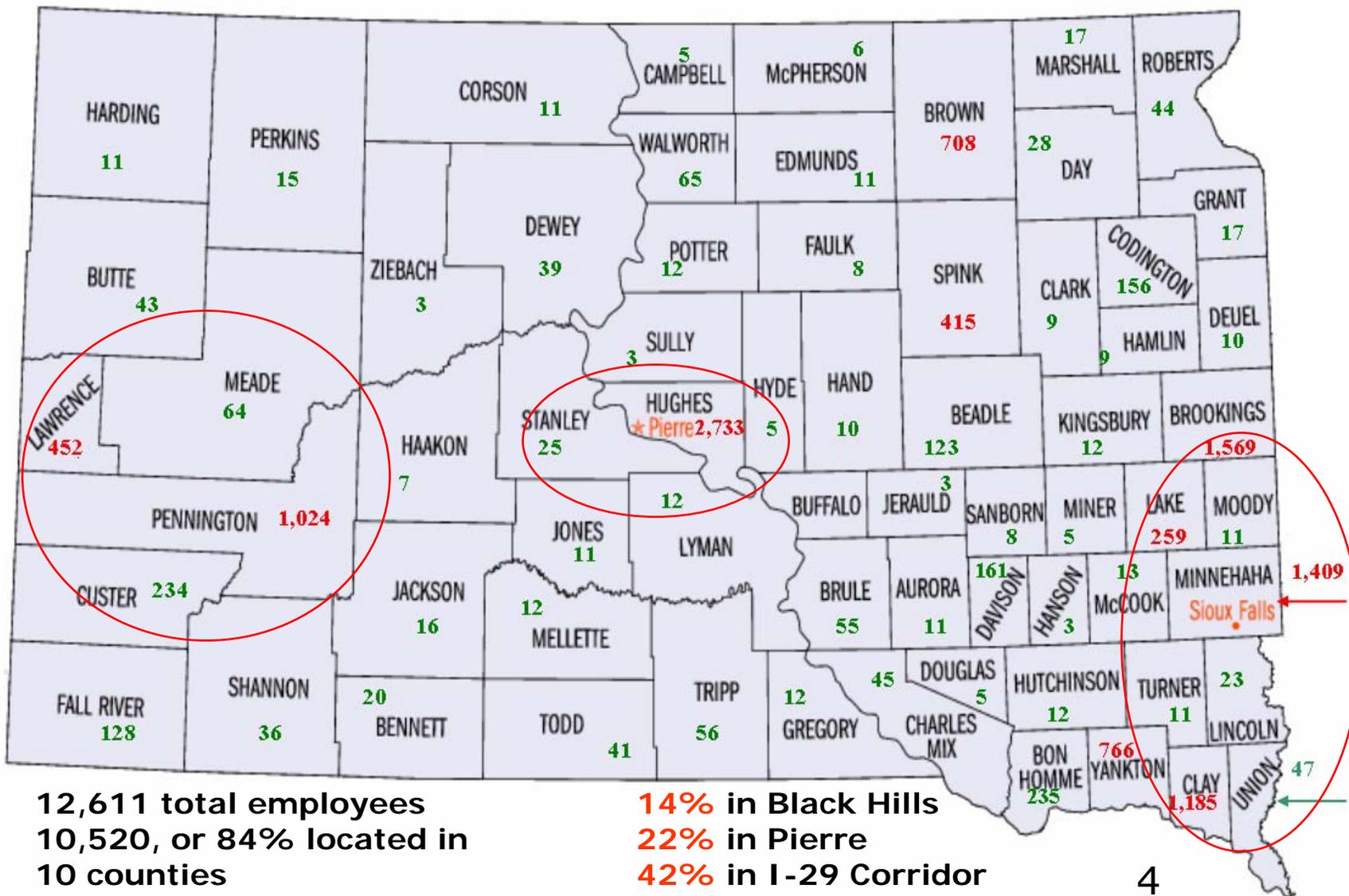
Our Workforce at a Glance

■ Workforce Demographics

- Average age of state employees – 44 years
 - Baby Boomers – 43.3%
 - Generation X – 48.3%
 - Generation Y – 8.4%
- 31% of workforce eligible to retire within 10 years
- Potential serious loss of talent and efficiencies

State Employee Concentrations

(All State Government, Including Board of Regents)



12,611 total employees
 10,520, or 84% located in
 10 counties

14% in Black Hills
 22% in Pierre
 42% in I-29 Corridor

Compensation Issues before PACE

- Lack of employee understanding and acceptance
- Inconsistent salary policies
- Salaries grouped near range minimum
- Salaries not competitive with labor market

Compensation Package

PACE (*“Performance and Compensation Equity”*):

- **Across-the-Board Adjustment**

Annual salary increase to all employees

- **Movement to Job Worth Adjustment**

Up to 2.5% salary increase for new employees to bring them to job worth within 7 years

- **Longevity Pay**

Lump sum payment to employees with more than 7 years experience.

Across-the-Board Adjustment

- Percentage salary increase given to all employees
- Purpose is to keep salaries competitive
- Raises entire salary range by same percent (Minimum salary, job worth or midpoint salary, and maximum salary)

Movement-to-Job Worth Adjustment

- 2.5% salary increase given to employees who are paid less than job worth
- Job Worth = salary state government can afford to provide to fully trained and competent employees
- Helps bring new employee salaries to job worth within 7 years
- Needed for salary equity between new employees and existing employees

Illustration of PACE

Maximum of Range

20% above Job Worth

Reserved for:

- performance
- added duties
- special market rates

24.5% of Workforce

Job Worth

What State can afford to pay

31.5% of Workforce

7 years

6 years

5 years

4 years

3 years

2 years

1 year

43.9% of Workforce

Minimum of Range

20% below Job Worth

6 months

2.5% MOVEMENT TO JOB WORTH

Pay Grade = 14		Minimum =	<u>Hourly</u>	<u>Annual</u>
			\$13.91	\$29,039
		Job Worth =	\$17.39	\$36,299
Hire Date = August 1		Maximum =	\$20.87	\$43,559

			<u>Hourly</u>	<u>Compa-Ratio*</u>
	Beginning Salary =		\$13.91	80%
Year 1	February 1, Completion of 6 Months Prob	5%	\$14.61	84%
	July 1, Job Worth Adjustment =	2.50%	\$14.97	86%
Year 2	July 1, Job Worth Adjustment =	2.50%	\$15.34	88%
Year 3	July 1, Job Worth Adjustment =	2.50%	\$15.73	90%
Year 4	July 1, Job Worth Adjustment =	2.50%	\$16.12	93%
Year 5	July 1, Job Worth Adjustment =	2.50%	\$16.52	95%
Year 6	July 1, Job Worth Adjustment =	2.50%	\$16.94	97%
Year 7	July 1, Job Worth Adjustment =	2.50%	\$17.39	100%
	Longevity =	\$100		

*Compa ratio is defined as employee salary divided by Job Worth. Compa ratio identifies where the salary is in the pay range with respect to Job Worth.

Longevity Pay

- Annual Lump Sum Payment to Employees with More than 7 Years Experience
 - \$100 for 7-9 years
 - \$10/year of service for 10-14 years
 - \$15/year of service for 15-19 years (increases in \$5 increments for each 5 year bracket)
 - Example: Employee with 15 years of service receives \$225 (15 years X \$15)
- Provides expression of appreciation for years of service

Difficulties Acquiring Talent

- **Difficulty Filling Critical Occupations**
 - Includes high demand jobs such as Nurses, Engineers, Scientists, IT, Accountants/Auditors
 - Demand for these occupations exists in both public and private sector
 - Demand for these occupations will only continue to increase
 - Today's workforce is seeking opportunities for development and career progression

Total Compensation

- The term, compensation, for state employees means total compensation, which includes direct salary and fringe benefits. Fringe benefits includes employer paid retirement programs, social security, health insurance, life insurance, and any other programs offering a benefit to the employee in which the employer participates.

State of South Dakota



Health Insurance Realities

Past

Employer Perspective

- Health insurance taken for granted
- Standard format
- Very hands-off approach

Employee Perspective

- Benefits were not a major consideration in job search
- Understanding of the medical plan and costs was not a priority

Current

Employer Perspective

- Major expense for employer
- Innovative approaches
- Very hands-on approach

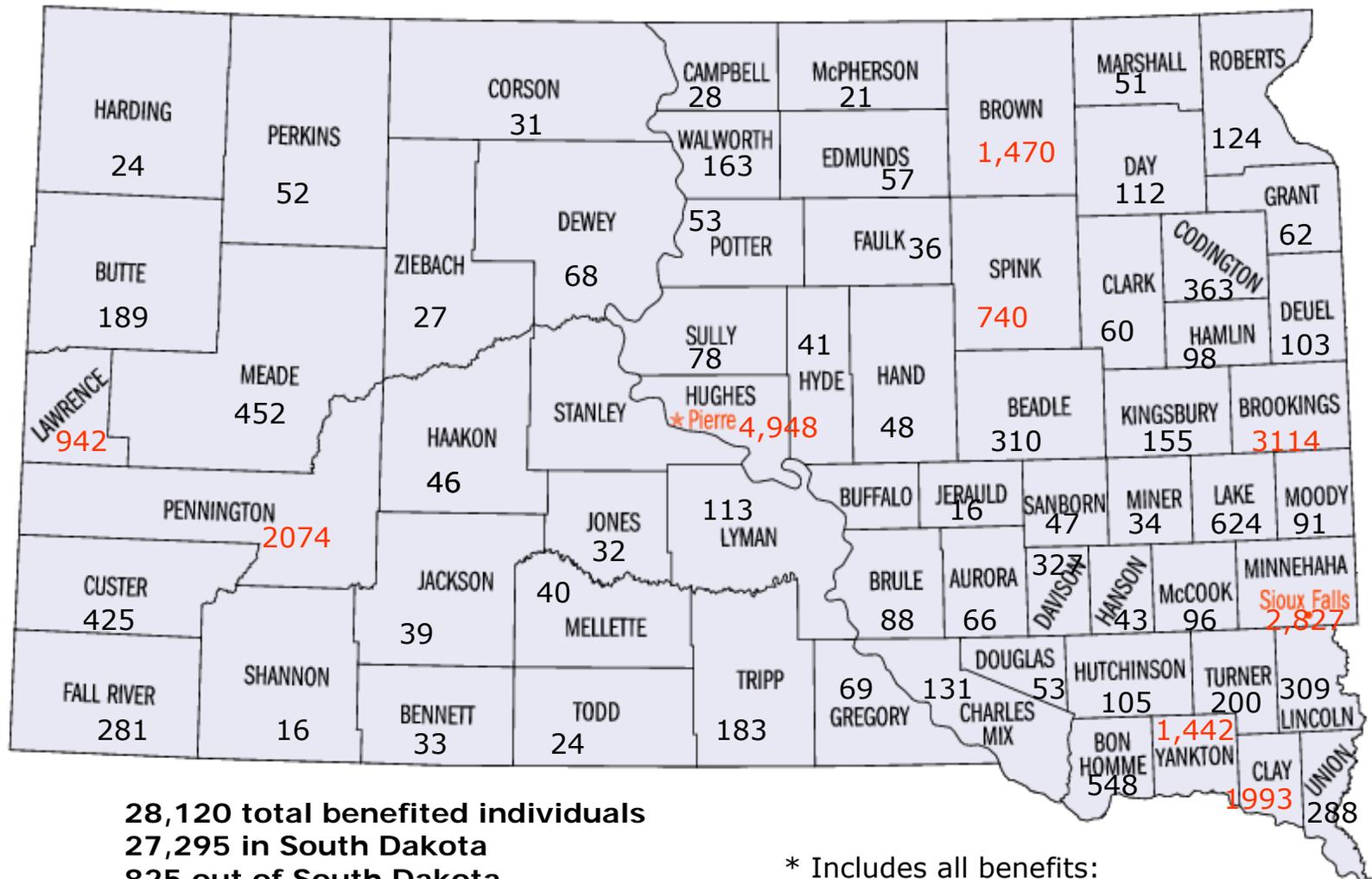
Employee Perspective

- Health benefits have become a major decision point in job acceptance
- Employees have become more knowledgeable to take an active role in their personal healthcare.

Driver – Constantly Increasing Health Care Costs

Benefited Employees and Dependents by Location

(includes retirees & COBRA participants)



28,120 total benefited individuals
27,295 in South Dakota
825 out of South Dakota

* Includes all benefits:
 health, life, flex etc.

Structure of Health Plan

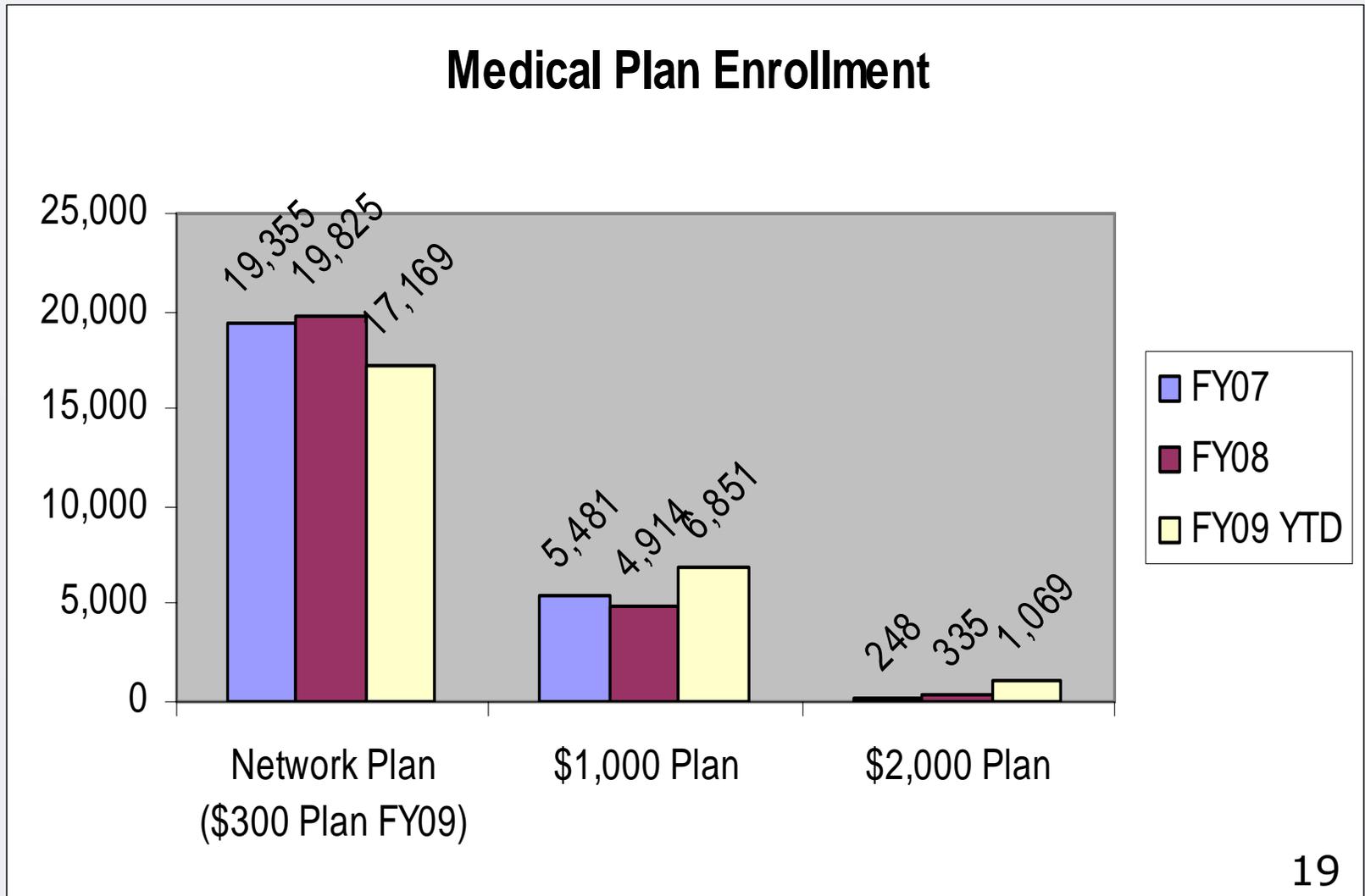
Self-Funded Insurance Plan

- Should not be confused with no insurance
- Group purchases no insurance
- Assume the risk of the plan
- Provides financial flexibility & predictability
- Administrative efficiencies
- Ability to address the needs of a varied workforce

Structure of Health Plan

- \$300 Deductible/Copay Plan
- \$1,000 Deductible Plan
- \$2,000 Deductible Plan (HSA Compatible)

SD State Employee Health Plan – FY08



Structure of Health Plan

Pharmacy Benefit

- \$50 – one-time deductible (per member, per year)
- Three Tier Design (30-day & 90 day supply)
 - Tier One – Generic
 - \$11/\$17
 - Tier Two – Brand Name Drug
 - \$25/\$40
 - Tier Three – Higher Priced Brand-Name Drug
 - \$40/\$60

Structure of Health Plan

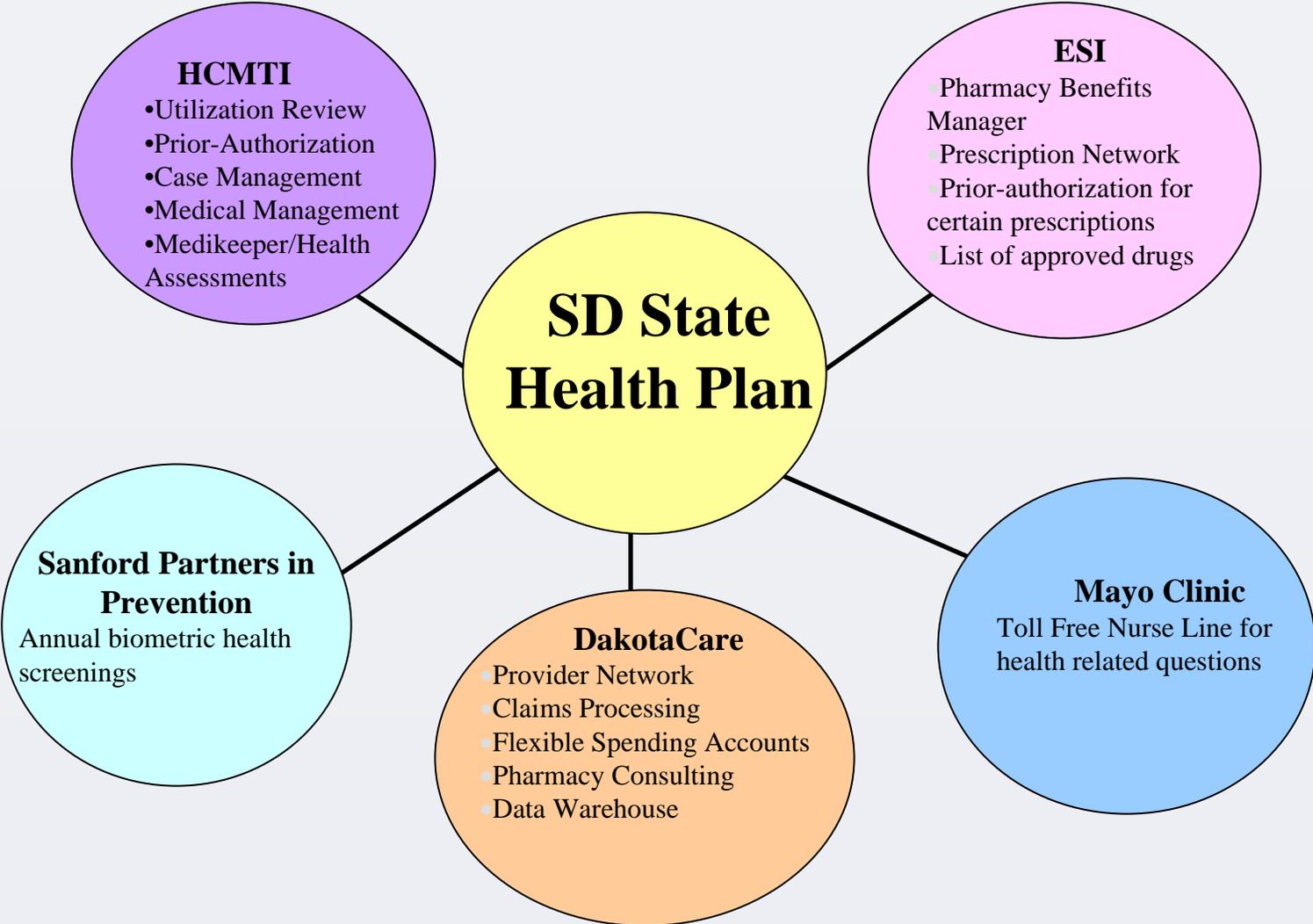
Employees share in the costs of the plan in a non-traditional health insurance plan design.

The plan is structured so employees bear 25 to 30% of plan costs in lieu of an upfront premium.

Employees who use the plan benefits absorb costs through:

- - Dependent premiums
 - Deductibles
 - Co-pays
 - Co-Insurance
 - Penalty for tobacco users

Partners of SD State Health Plan



State Employee Self Insured Health Plan Full Accrual Basis Financial Statement

	FY 2008 Unaudited	FY 2009 Budget Estimate
Revenue		
Contributions to Plan		
Employer Paid	\$72,349,518	\$72,345,124
Retiree, COBRA, and Employee Paid for Dependents	\$17,995,428	\$19,541,077
Administrative Fee	\$121,726	\$118,217
Interest Revenue	\$1,170,419	\$835,000
Refund of Prior Years Claims	\$1,194,008	\$1,500,000
Total Revenue	\$92,831,100	\$94,339,418
Expenses		
Claims	\$85,757,497	\$86,528,544
Employer Life Claims	\$515,000	\$700,000
Administration	\$7,867,104	\$7,020,015
Flex Credits	\$834,538	-
Total Expenses	\$94,974,139	\$94,248,559
Current Year Over/(Underrecovery)	(\$2,143,039)	\$90,859
Prior Year Over/(Underrecovery)	\$2,927,078	\$784,038
Cumulative Over/(Underrecovery)*	\$784,039	\$874,897

* Cumulative Over/(Underrecovery) is the analysis of the revenues and expenses since the beginning of the program.

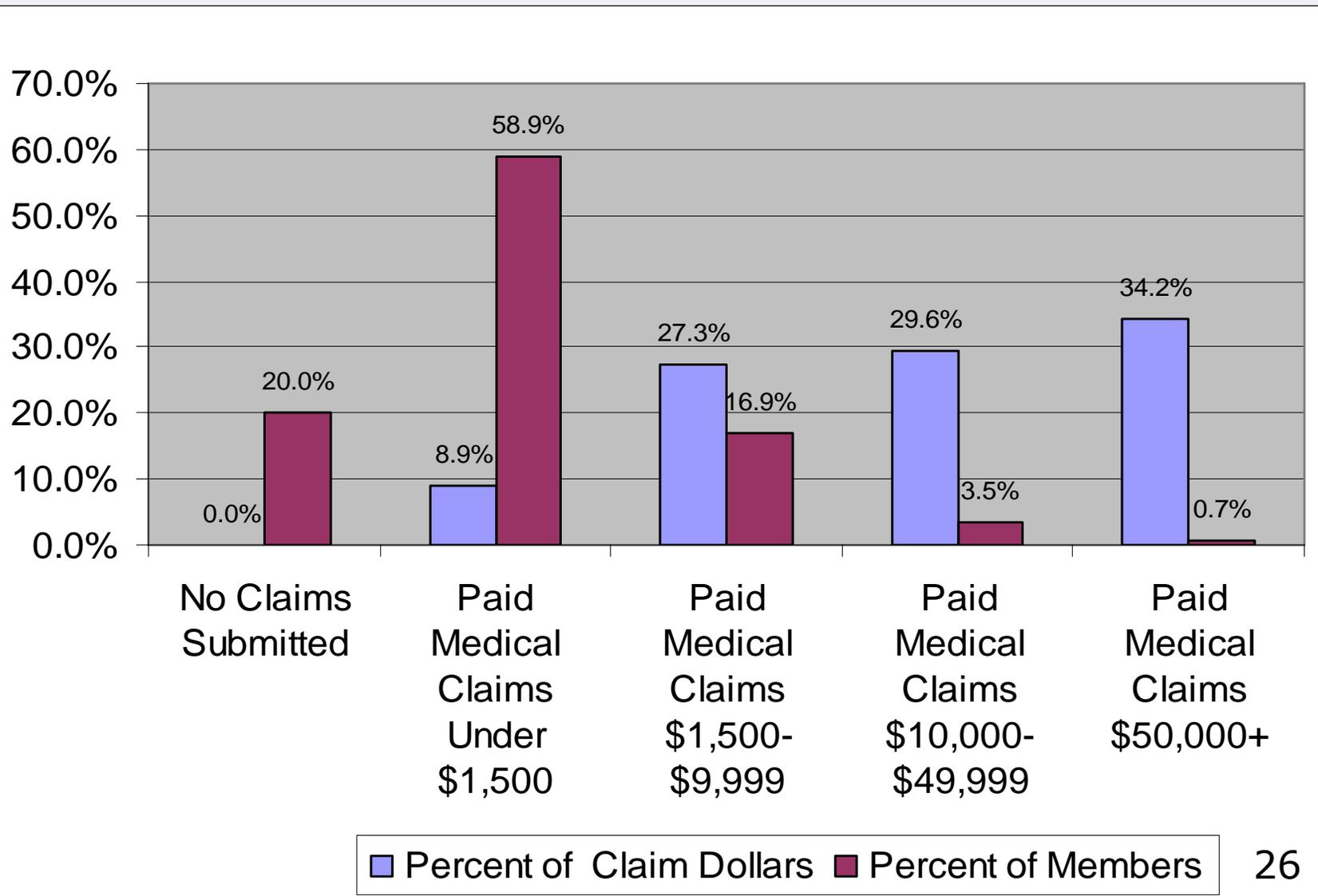
Recap – FY08

- Claims Paid (Medical and Pharmacy) increased from \$80,562,074 in FY07 to \$85,757,497 (5.1M or 6%)
- Actives' cost drove the State's overall trend
- Within the actives, Catastrophic Cost Claimants (CCCs) primarily drove trend
- 215 CCCs spent \$23,160,946 compared to the 27,514 claimants who spent \$24,566,970.

Profile by Cost Segment – FY08

Criteria	No Claims	Paid Medical Claims Under \$1,500	Paid Medical Claims \$1,500-\$9,999	Paid Medical Claims \$10,000-\$49,999	Paid Medical Claims \$50,000+
Claim Dollars	\$0	\$6,036,170	\$18,530,800	\$20,043,598	\$23,160,946
Percent of Claim Dollars	0.0%	8.9%	27.3%	29.6%	34.2%
Members	5,733	16,920	4,861	998	215
Percent of Members	20.0%	58.9%	16.9%	3.5%	0.7%
Claims Cost per Member	\$0.00	\$356.75	\$3,812.14	\$20,083.77	\$107,725.33
Average Claimant Age	31.86	33.91	40.78	47.62	50.7

Profile by Cost Segment – FY08



In Summary

- Total Compensation plays a large role in our ability to recruit, retain, and manage our workforce.
- This will become even more important as we plan for our future workforce.