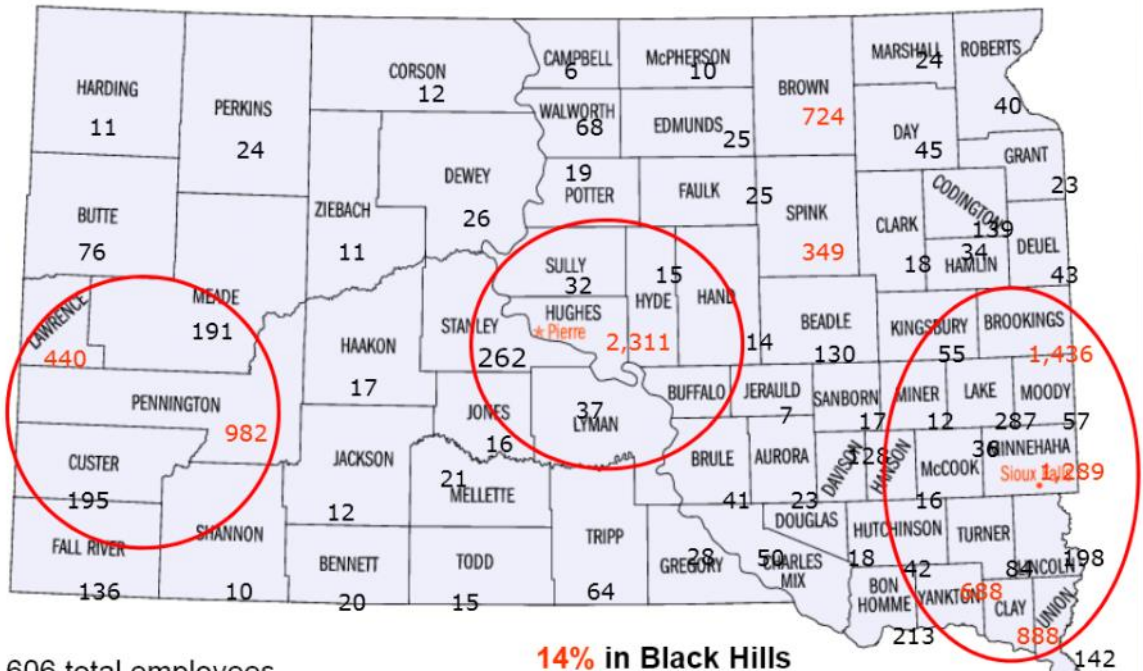


State of South Dakota

FY2013 Salary Policy Presentation
to
Joint Committee on Appropriations
January 23, 2012

State Employee Concentrations (All State Government, including Board of Regents)



12,606 total employees
9,394, or 74.5% located in 10 counties

14% in Black Hills
20% in Pierre
40% in I-29 Corridor

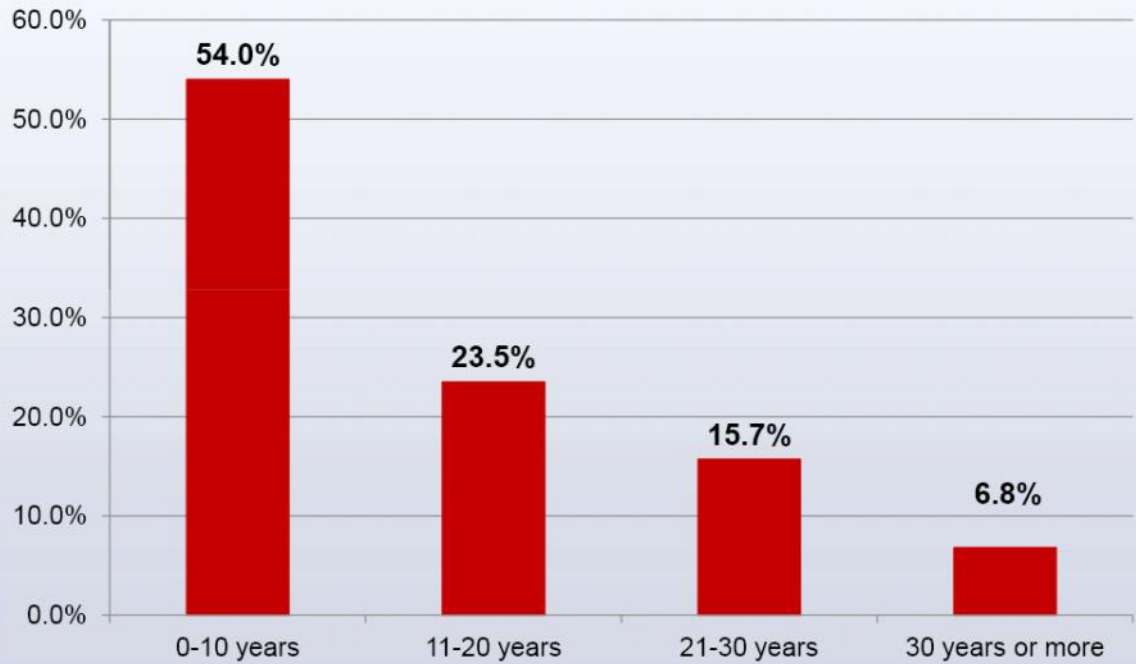
Our Workforce at a Glance

■ Workforce Demographics*

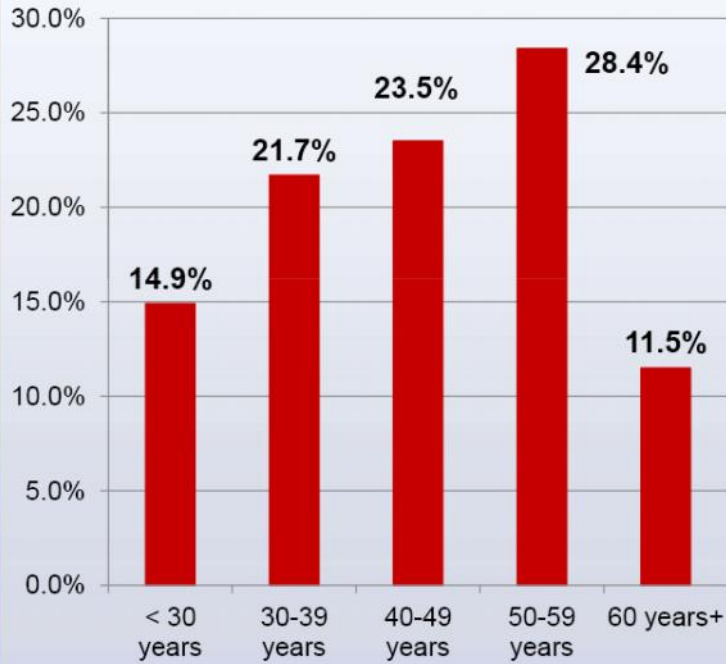
- Average years of service – 12.1 years
- Average age of state employees – 44.5 years
 - Matures (before 1946) – 1.7% or 138 emps
 - Baby Boomers (1946 – 1964) – 46.3% or 3,748 emps
 - Generation X (1965 – 1980) – 35.0% or 2,836 emps
 - Generation Y (1981 – 2000) – 17.0% or 1,376 emps

* Does not include Board of Regents

Years of Service of the Workforce



Age Distribution



39.9% of the workforce is age 50 or older

Retirement Eligibility

- 10.1% of the workforce became eligible to retire as of June 30, 2011
- 25.0% will be eligible within 5 years
- 35.5% will be eligible within 10 years
- Potential serious loss of talent and efficiencies

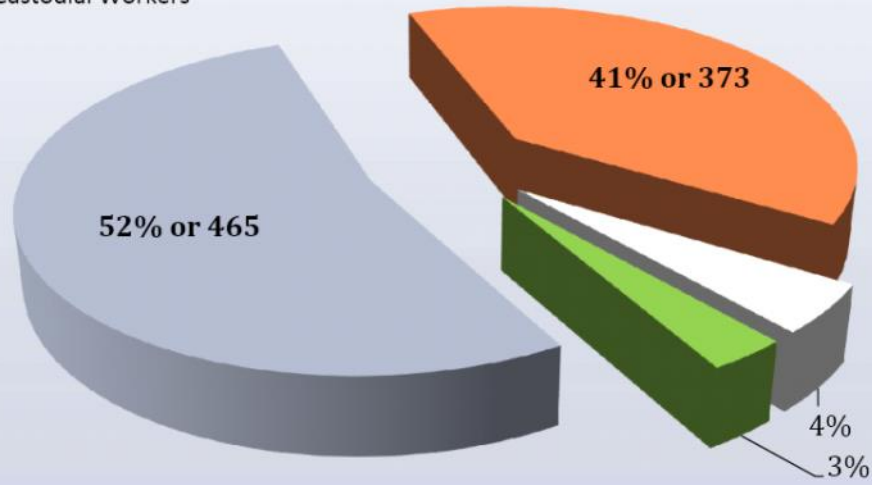
South Dakota Retirement System

Statewide Turnover



FY11 Turnover by Role

- Labor & Support
 - HM Workers
 - Clerical staff
 - Correctional Officers
 - Custodial Workers
- Professional
 - Accountants
 - Engineers
 - Nurses
- Program Admin
- Management



In Summary

- The workforce is aging and approaching retirement
- We have difficulty recruiting because our salaries are not competitive
- Half of the turnover occurs in the first 3 years of employment

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.

Total Compensation

Salary Policy

- **PACE** (*“Performance and Compensation Equity”*)
- **Career Banding**

Health Insurance

PACE

Performance and Compensation Equity

- **Across-the-Board Adjustment** - Annual salary increase to all employees used to address the competitiveness of the system
- **Movement to Job Worth Adjustment** - Up to 2.5% salary increase for employees to bring them to job worth within 7 years
- **Longevity Pay** - Lump sum payment to employees with more than 7 years experience.

Illustration of PACE

Maximum of Range

20% above Job Worth

Reserved for:

- performance
- added duties
- special market rates

Job Worth

What State can afford to pay

7 years

6 years

5 years

4 years

3 years

2 years

1 year

Minimum of Range

20% below Job Worth

6 months

24.5% in FY08

Today, 20.7%
of Workforce

31.5% in FY08

Today, 25.6%
of Workforce

43.9% in FY08

Today, 53.7%
of Workforce

PACE in Action

Pay Grade = 14	Minimum =	<u>Hourly</u>	<u>Annual</u>
	Job Worth =	\$13.91	\$29,039
Hire Date = August 1	Maximum =	\$17.39	\$36,299
		\$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 rage 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 and will only increase
- Today's workforce is seeking opportunities for development and career progression

Career Banding and Compensation

- **Compensation Structure**
 - A new compensation structure provides needed flexibilities to respond quickly to changing market conditions
- **Classification Structure**
 - A new classification structure clearly defines career advancement opportunities
- **Performance Management System**
 - A new performance management system engages employees and managers, promotes career development, and ensures accountability.

Progress with Career Banding Project

- Classification
 - All career families defined
 - Accountants / Auditors, Nurses, Engineers, and Environmental Scientists have been formally placed in structure
 - IT completed by February 2012
- Performance Management
 - Performance Management system designed
 - Training for supervisors and employees
- Compensation
 - Average 15% - 25% behind the market in these occupations

Major Concerns

- Significantly behind the market in pay
- More applicants declining to be interviewed or declining the job once offered
- Large potential loss of organizational knowledge due to retirement eligibility

Salary Policy Recommendations

GOVERNOR DAUGAARD'S RECOMMENDATION FOR STATE EMPLOYEE COMPENSATION PACKAGE

(page 20, Governor's Budget or page 45, Summary of Governor's Budget)

	<u>GENERAL FUNDS</u>	<u>FEDERAL FUNDS</u>	<u>OTHER FUNDS</u>	<u>TOTAL FUNDS</u>
PACE ADJUSTMENT TO JOB WORTH:	\$2,652,611	\$1,886,005	\$2,911,970	\$7,450,586
<p>The Governor is recommending that the Performance and compensation Equity (PACE) system established in FY1990 be continued to include 2.5% adjustments to employees who are paid under the job-worth of their pay range. The Governor is also recommending up to a maximum of 7% adjustment to employees in the Career Banding families established in FY2010 to move them towards market.</p>				
<p>ACROSS-THE-BOARD INCREASE: The Governor is recommending that all permanent state employees receive a 3% pay increase.</p>				
Executive Branch	\$3,489,567	\$2,998,692	\$4,533,660	\$11,021,919
Board of Regents	3,874,735	2,052,622	5,081,956	11,009,313
Legislative Branch	121,084	-	-	121,084
Judicial Branch	793,976	3,363	61,131	858,470
Constitutional Offices	<u>255,502</u>	<u>58,350</u>	<u>169,566</u>	<u>483,418</u>
Subtotal	<u>\$8,534,864</u>	<u>\$5,113,027</u>	<u>\$9,846,313</u>	<u>\$23,494,204</u>

For FY2013, the employee compensation package was distributed to agencies in the Governor's recommended budget.