Total Rewards

Joint Committee on Appropriations

Fiscal Year 2023

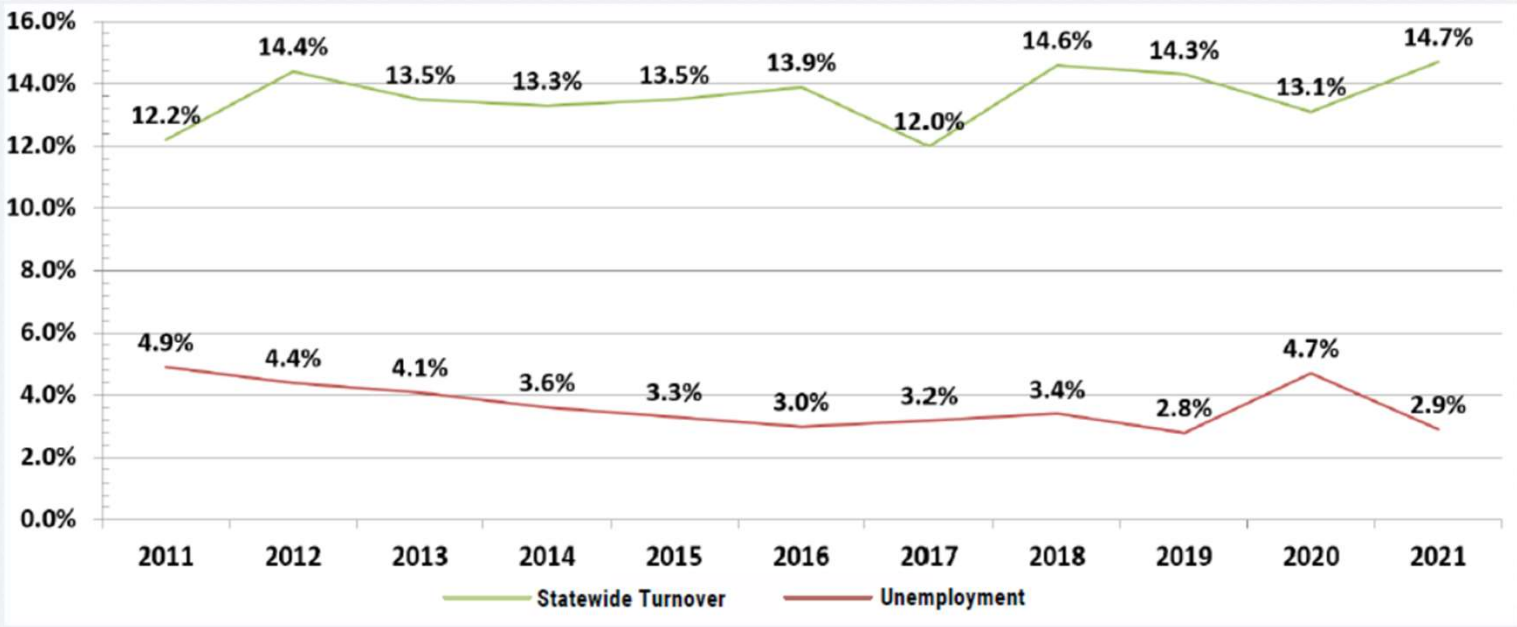
February 04, 2022

Agenda

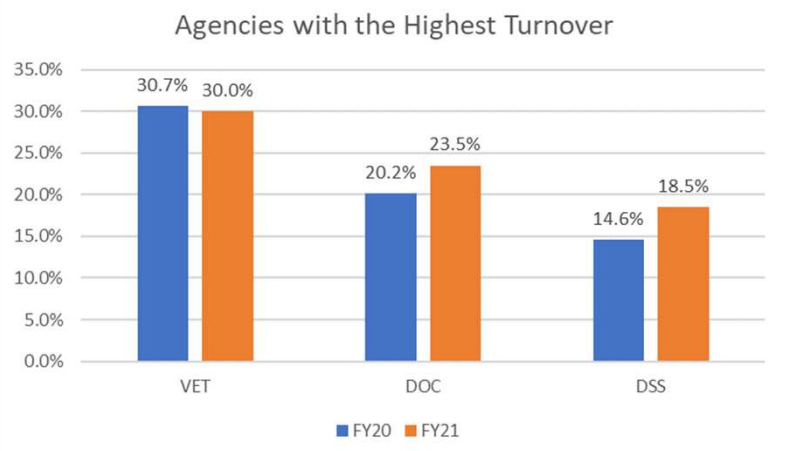
- Workforce
- FY21 Health Plan Year End
- FY22 Benefits YTD
- Total Remuneration Study
- Compensation Proposal

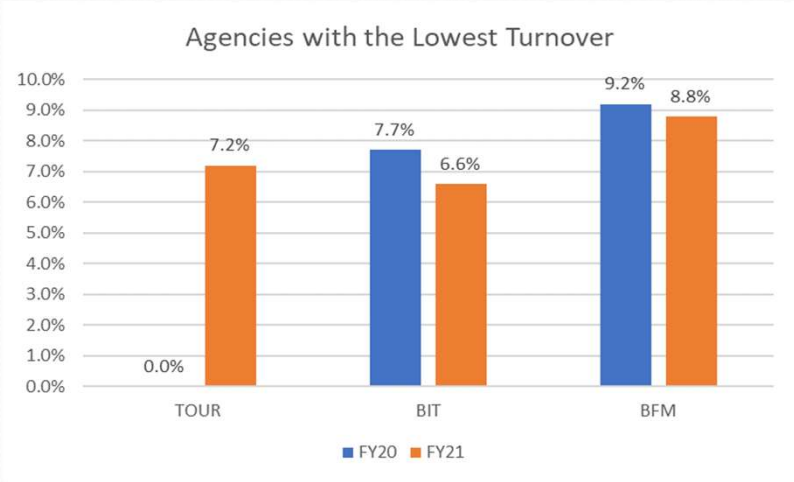
Workforce Statistics

Executive Branch Turnover

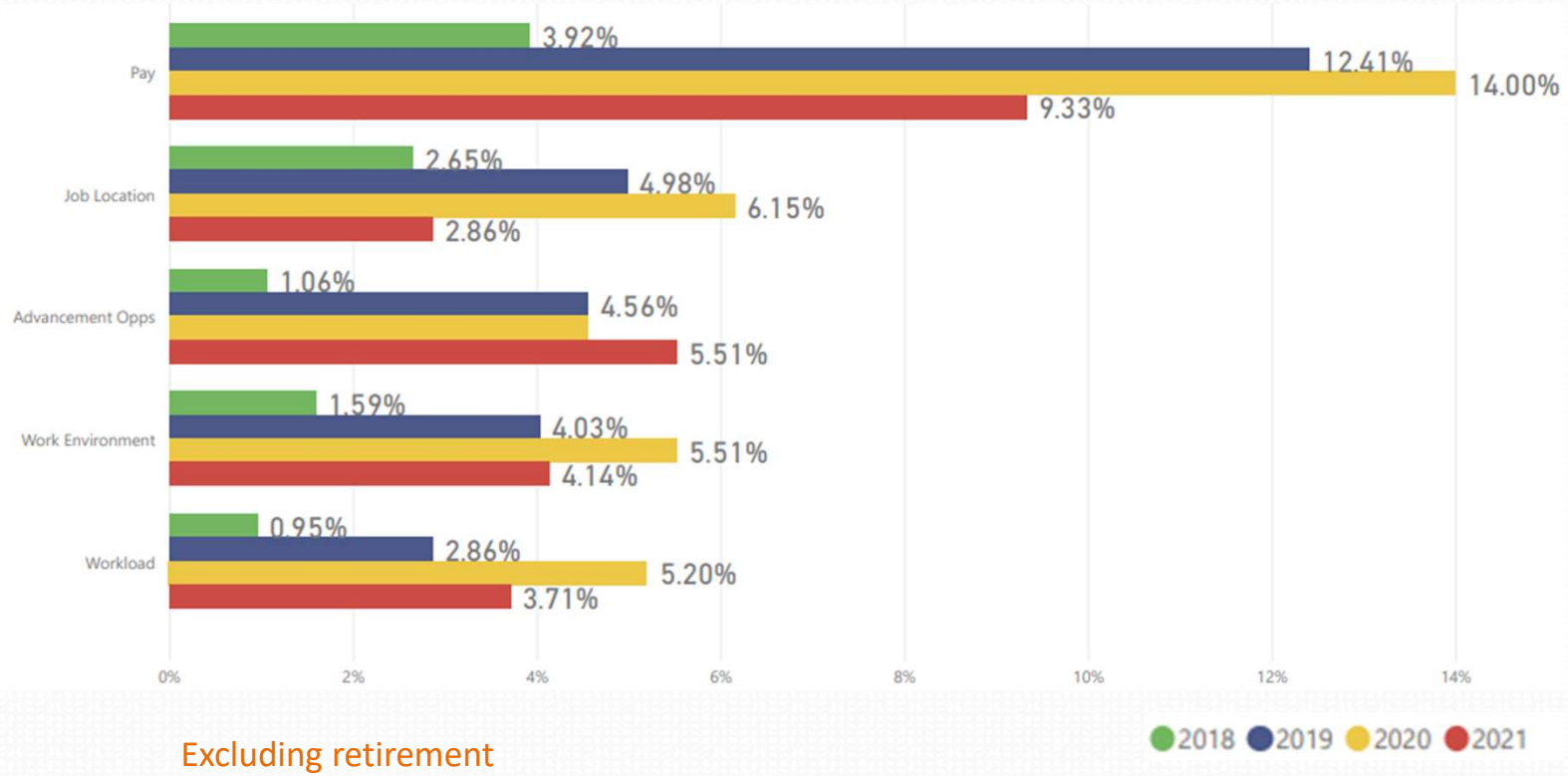


Agency Turnover



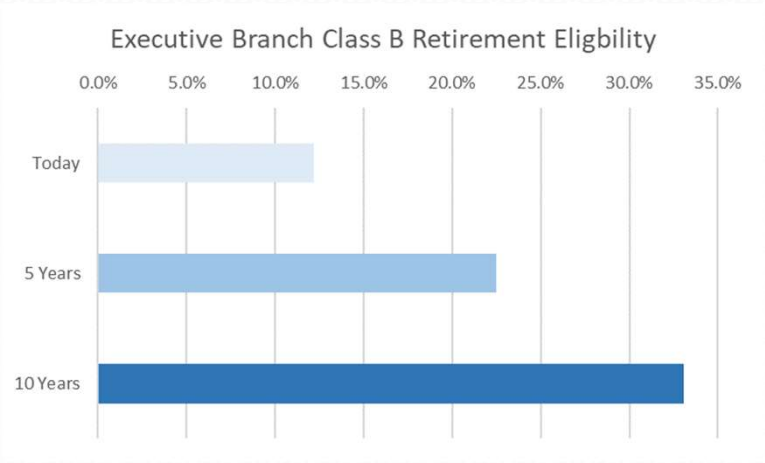


Reason for Leaving

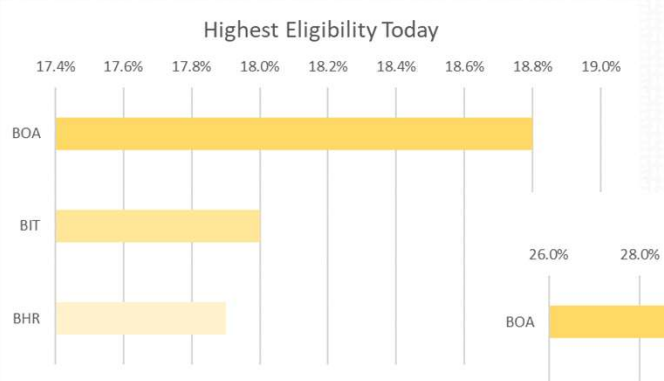


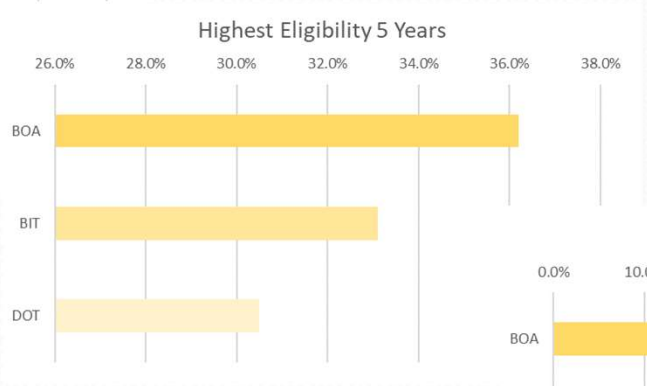
Excluding retirement

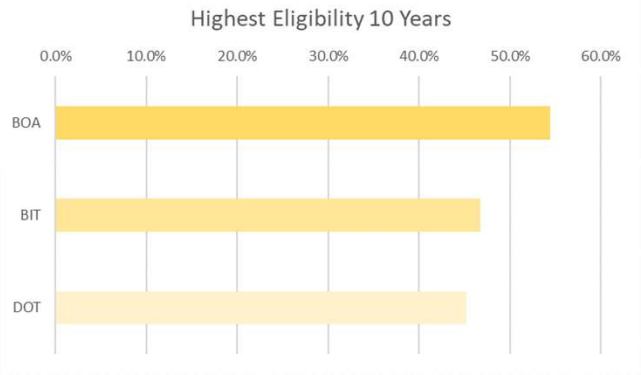
Retirement Eligibility



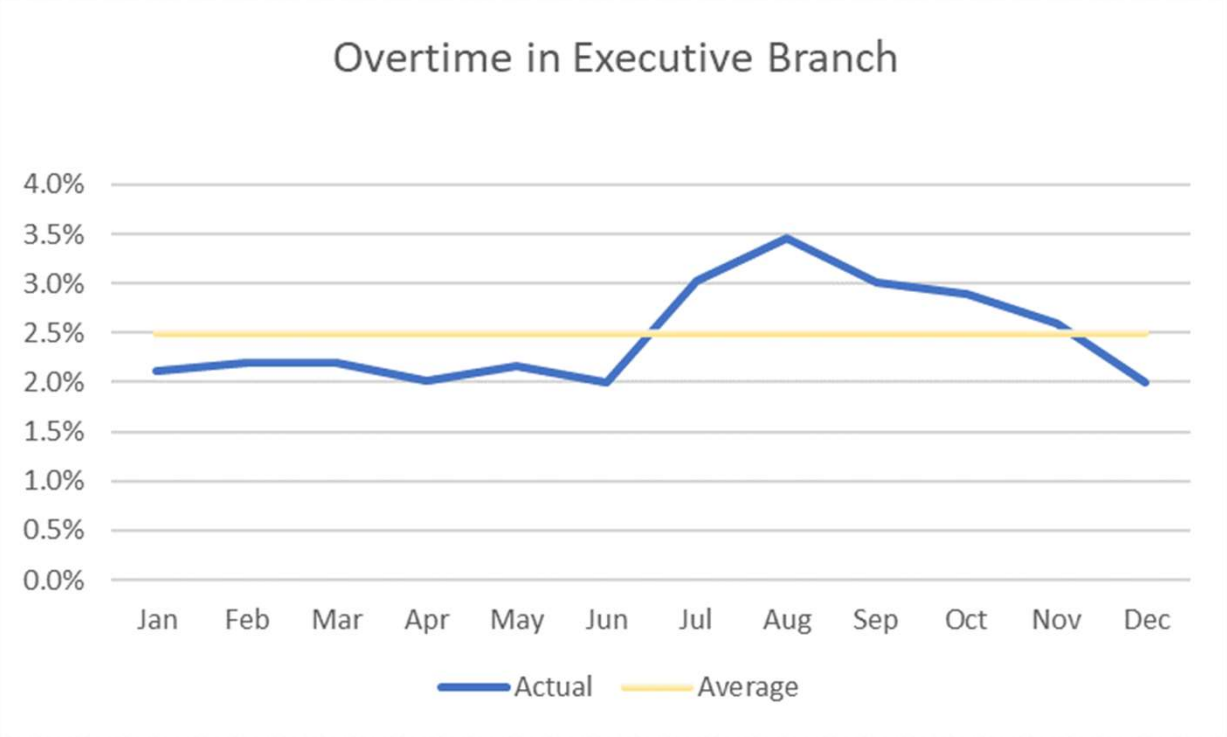
Highest Retirement Eligibility







Overtime in 2021



State Employee Health Plan FY21 Financial Results

SEHP FY21 Actual vs Projection

Incurred Claims	Projected FY 21	Actual FY 21
Medical	$106,852,627	$104,008,283
Pharmacy	$36,293,280	$36,901,389
Total	$143,145,907	$140,909,672

SEHP FY2021 Financial

	ORIGINAL ESTIMATE	ACTUAL
Employer Rate	**$10,809**	**$10,809**
	FY 2021	**FY 2021**
EMPLOYER	$149,502,754	$149,192,028
COBRA	$1,129,070	$830,438
EMPLOYEE	$8,233,796	$8,440,576
REBATES	$9,200,000	$11,211,355
COVID-19 - CRF FUNDS	$10,000,000	$14,300,183
INTEREST	$400,000	$629,323
TOTAL REVENUE	**$178,465,620**	**$184,603,903**
MEDICAL/RX CLAIMS	$140,989,007	$138,097,485
ADMINISTRATION	$16,865,288	$18,176,191
TOTAL EXPENSES	**$157,854,295**	**$156,273,676**
Current Year Over/(Underrecovery)	**$20,611,325**	**$28,330,227**

State Employee Health Plan FY22 Update

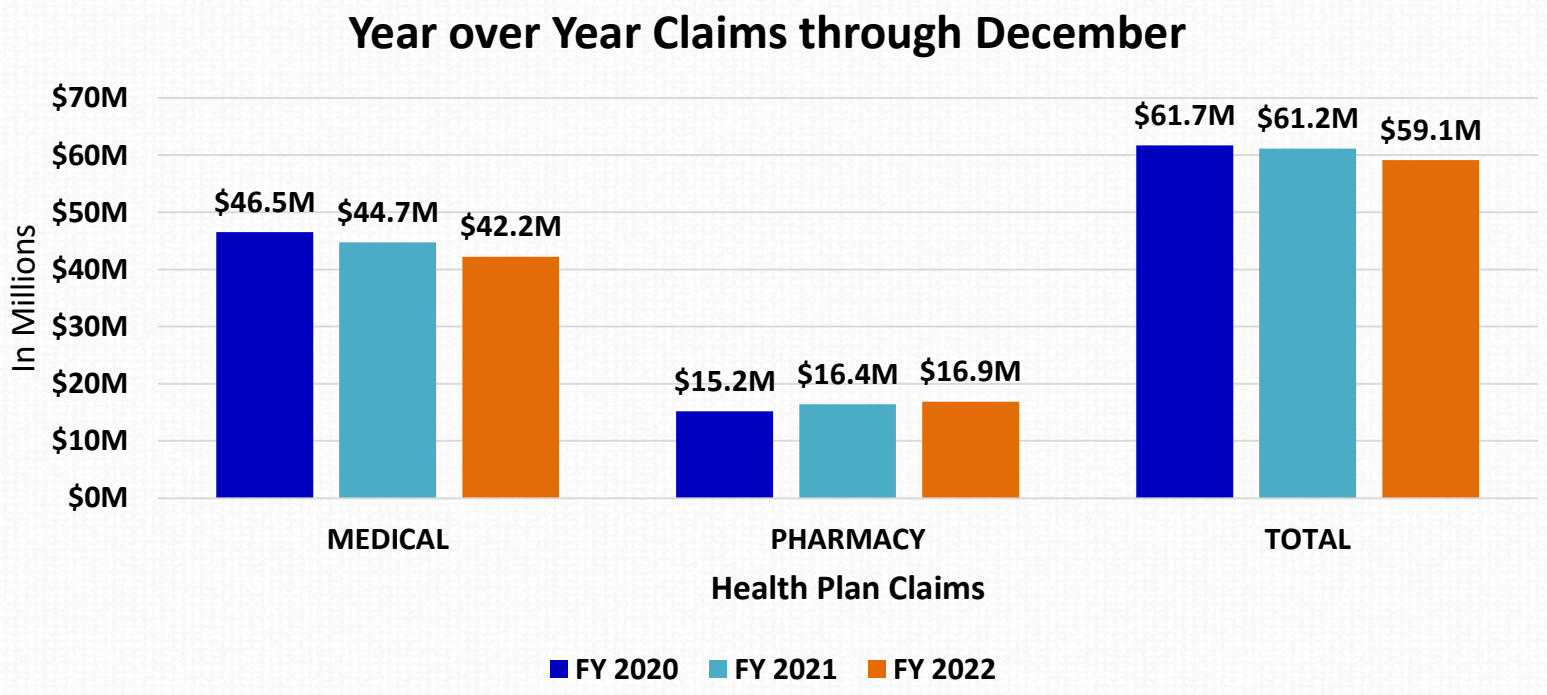
New Benefit Implementation

- 4 Health Plans
- New Systems and Vendors
- Enhanced Benefits
- Reinvestment

Wellbeing Program Redesign

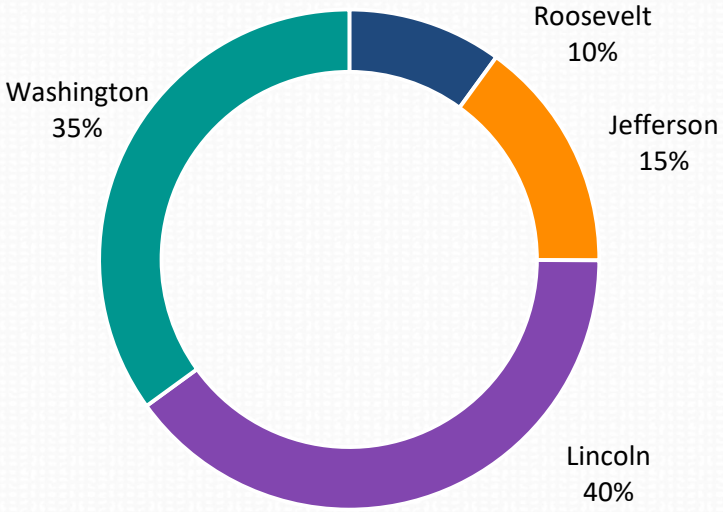
- Expanded Opportunities to earn rewards
- Care Team and Conditions Management
- Participation

FY22 Claims thru December

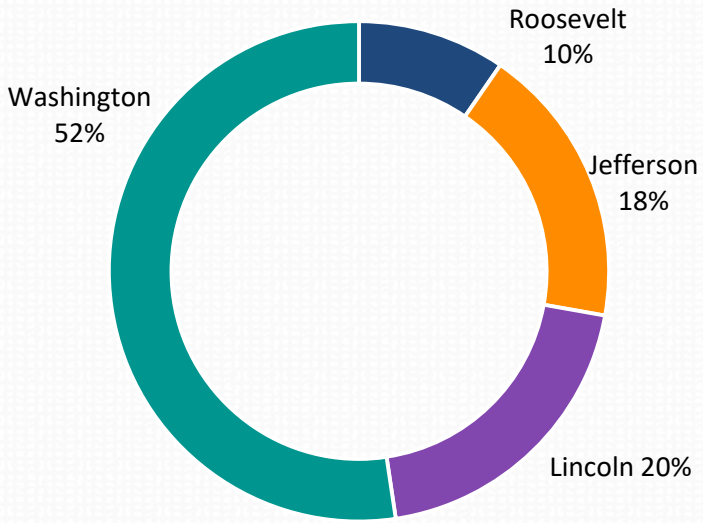


FY 22 Enrollment by Plan

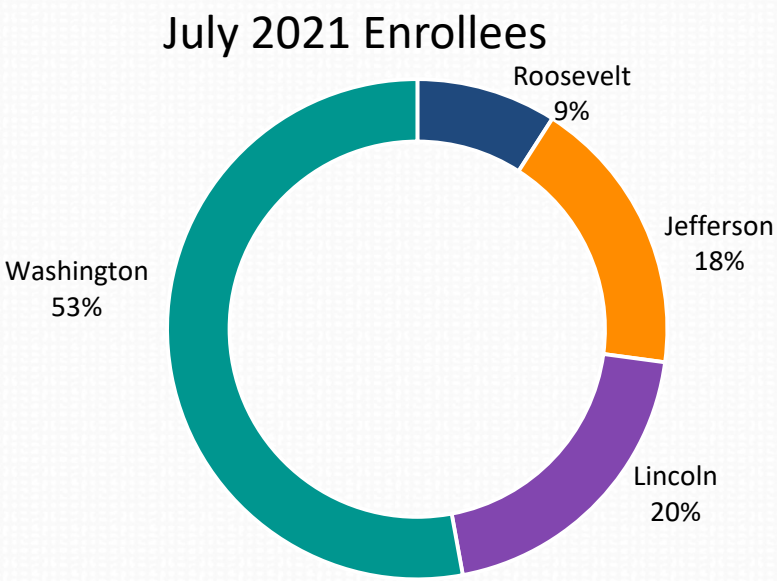
Projected FY 22 Enrollment

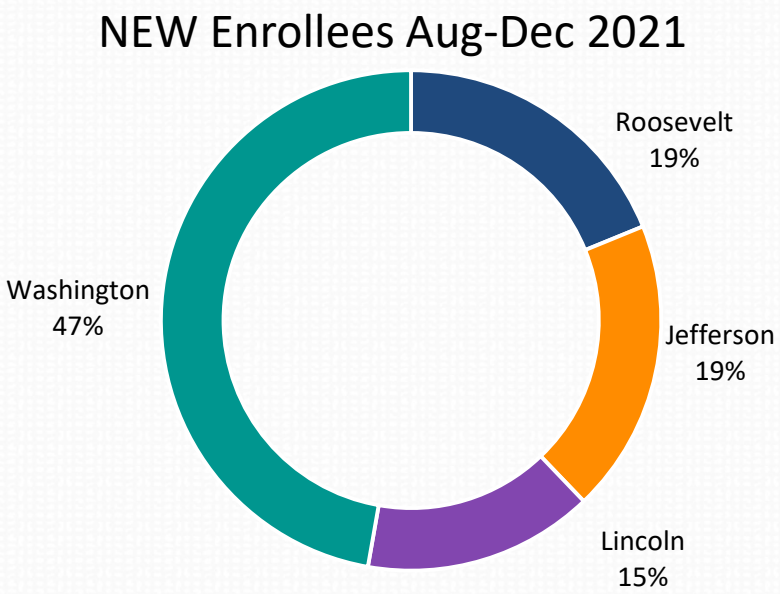


Actual FY 22 Enrollment



Enrollment by Plan





Benchmarking

- Reviewed Local, National and Governmental Benchmarks
  - ✓ Benefits, Premium and Employer Contribution
  - ✓ Sources:
    - 2020 Mercer National Survey of Employer-Sponsored Health Plans
    - Marsh & McLennan Agency regional book of business-Local Marketplace and talent pool

FY 23 Plan Design

- Market Standard benefit structure
  - ✓ Tiered benefits (Single, Employee+Spouse, Employee+Children, Family)
  - ✓ Offer Employees Choice (3-4 plans with varying actuarial values)
    - Multiple HDHPs with HSA contributions
    - Multiple PPO plans with fixed copays on services and pharmacy
    - Varying levels of risk tolerance = varying levels of benefits/premiums
    - Employee buy-up options
  - ✓ Combined Medical and Pharmacy Deductibles
  - ✓ Embedded Deductibles

FY 22 Actual YTD vs Projections

Incurred Claims	Actual FY 22 YTD (July-Dec)	Projected FY 22	Projected FY 23
Medical Claims	$42,230,046	$93,670,032	$91,337,149
Pharmacy Claims	$16,877,025	$38,102,404	$43,396,946
Total	**$59,107,071**	**$131,772,436**	**$134,734,095**

FY22 & FY23 Projection

	LEGISLATIVE ADOPTED INCREASE $738	LEGISLATIVE ADOPTED DECREASE $937	GOVERNOR RECOMMENDED NO CHANGE TO RATE
	$10,071-$738	$10,809-$937	
Employer Rate	$10,809	$9,872	$9,872
	Actual	Estimated	Estimated
	FY 2021	FY 2022	FY 2023
EMPLOYER	$149,192,028	$123,005,120	$123,005,120
COBRA	$830,438	$899,300	$899,300
EMPLOYEE	$8,440,576	$14,322,710	$14,322,710
REBATES	$11,211,355	$10,682,282	$10,800,000
COVID-19 - CRF FUNDS	$14,300,183	$2,082,000	$0
INTEREST	$629,323	$550,000	$550,000
TOTAL REVENUE	$184,603,903	$151,541,412	$149,577,130
MEDICAL/RX CLAIMS	$138,097,485	$133,641,944	$134,734,095
ADMINISTRATION	$18,176,191	$21,687,786	$16,807,016
TOTAL EXPENSES	$156,273,676	$155,329,730	$151,541,111
Current Year Over/(Underrecovery)	$28,330,227	($3,788,318)	($1,963,981)

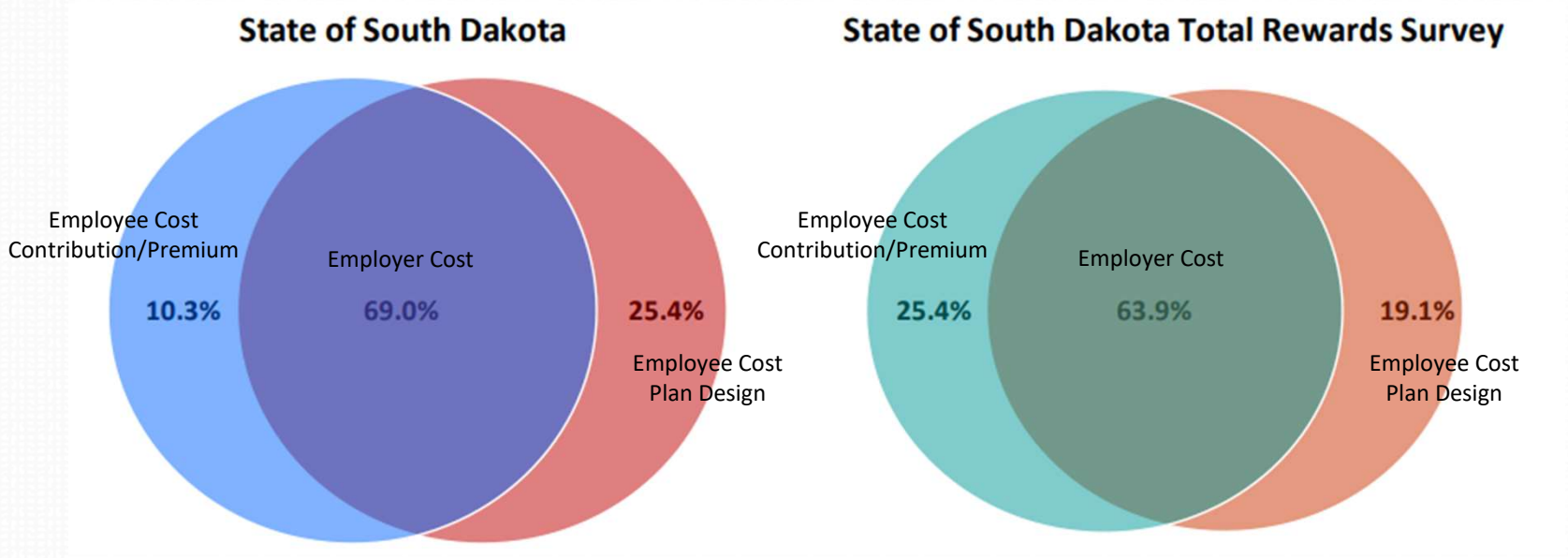
Total Remuneration Study

Arthur J. Gallagher & Co.

Fall 2021

Benefits

Total Effective Cost Share

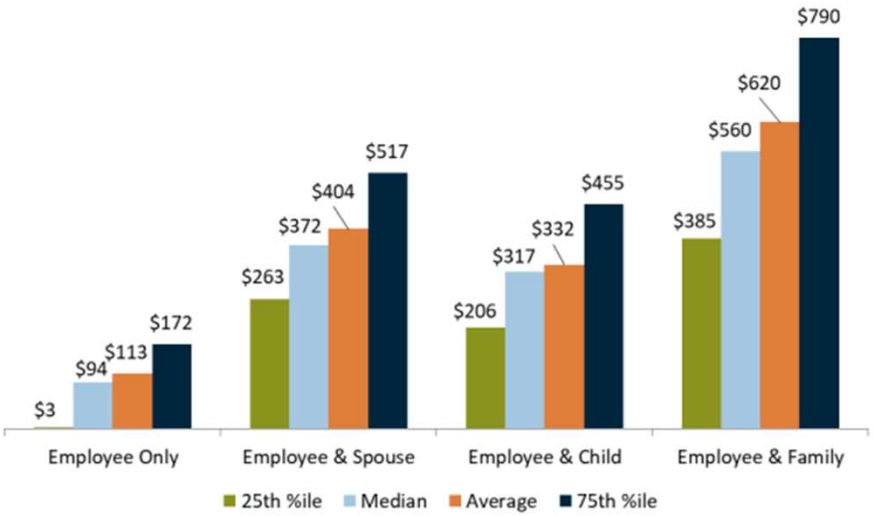


Plan Design Features

In-Network Benefits	Deductible / Out of Pocket Limit / Coinsurance							
	Survey Results				State of SD*			
	25th %ile	50th %ile	Average	75th %ile	Lincoln Plan -- HSA	Washington Plan -- HSA	Jefferson Plan -- HSA	State of SD Weighted Average
Deductible -- Individual	$1,500	$2,500	$2,402	$3,000	$3,000	$5,500	$1,750	$3,794
Deductible -- Family	$3,000	$4,750	$4,919	$6,000	$6,000	$11,000	$3,500	$7,587
Out of Pocket Maximum -- Individual	$3,000	$4,000	$4,353	$5,250	$6,000	$5,500	$4,000	$5,200
Out of Pocket Maximum -- Family	$6,000	$8,000	$9,090	$12,000	$12,000	$11,000	$8,000	$10,399
Member Coinsurance	3%	20%	17%	20%	25%	0%	30%	11%

In-Network Benefits	Member Coinsurance*					Copays				
	25th %ile	50th %ile	Average	75th %ile	State of SD**	25th %ile	50th %ile	Average	75th %ile	State of SD Jefferson / Roosevelt Plans
PCP Office Visit	0%	10%	11%	20%	6%	$25	$30	$29	$30	$50 / $30
Specialist Office Visit	0%	10%	11%	20%	6%	$30	$45	$44	$51	$100 / $60
Emergency Room	0%	20%	12%	20%	6%	$150	$250	$213	$250	$250 / $500
Retail Rx: Generic	0%	5%	11%	20%	6%	$10	$10	$16	$15	$15 / $25
Retail Rx: Preferred Brand	0%	15%	12%	20%	6%	$30	$35	$42	$35	$55 / $65
Retail Rx: Non-Preferred Brand	0%	15%	14%	20%	6%	$49	$50	$70	$75	$75 / $150
Retail Rx: Specialty	0%	20%	14%	20%	6%	$59	$85	$110	$153	$85 / $300

Employee Monthly Premium



The State's weighted average employee contributions are significantly lower (58%-72%) than the average survey values, depending on rate tier.

State of South Dakota						
Rate Tier	Jefferson Plan	Lincoln Plan	Washington Plan	Roosevelt Plan	Weighted Average	Diff. vs. Survey Average
Employee Only	$90	$25	$0	$114	$31	-72%
Employee & Spouse	$290	$149	$96	$343	$172	-58%
Employee & Child	$181	$80	$43	$218	$101	-70%
Employee & Family	$362	$186	$120	$428	$193	-69%

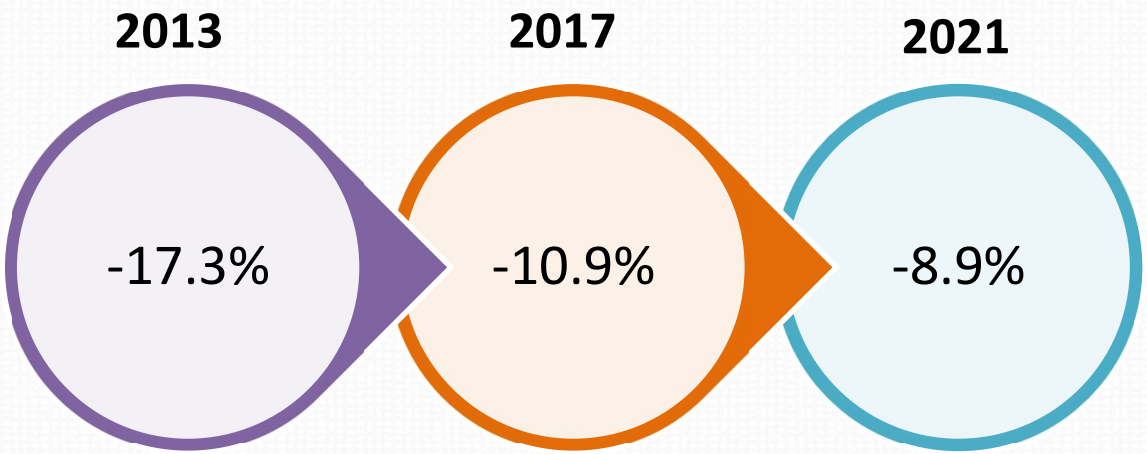
Total Remuneration Study

Arthur J. Gallagher & Co.

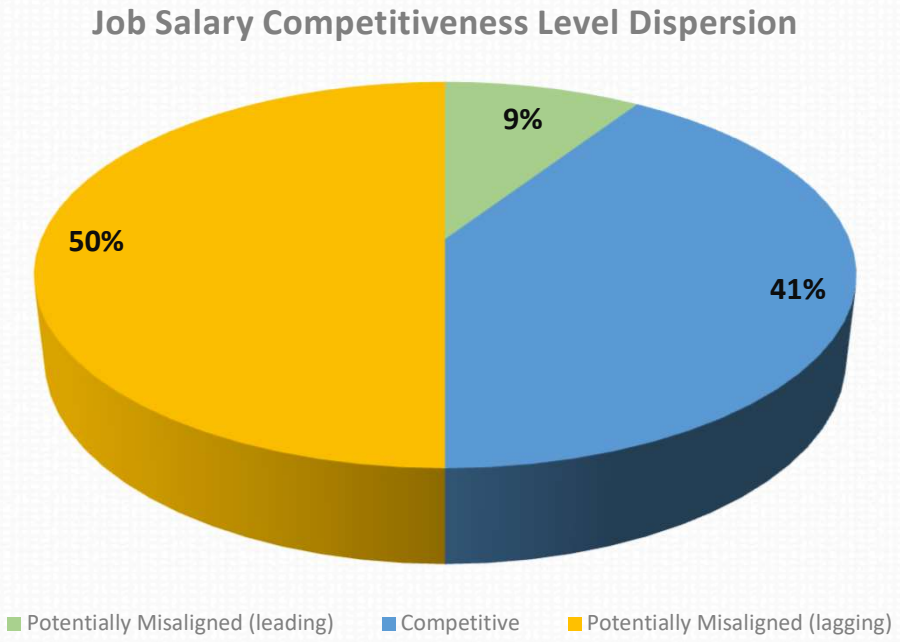
Fall 2021

Compensation

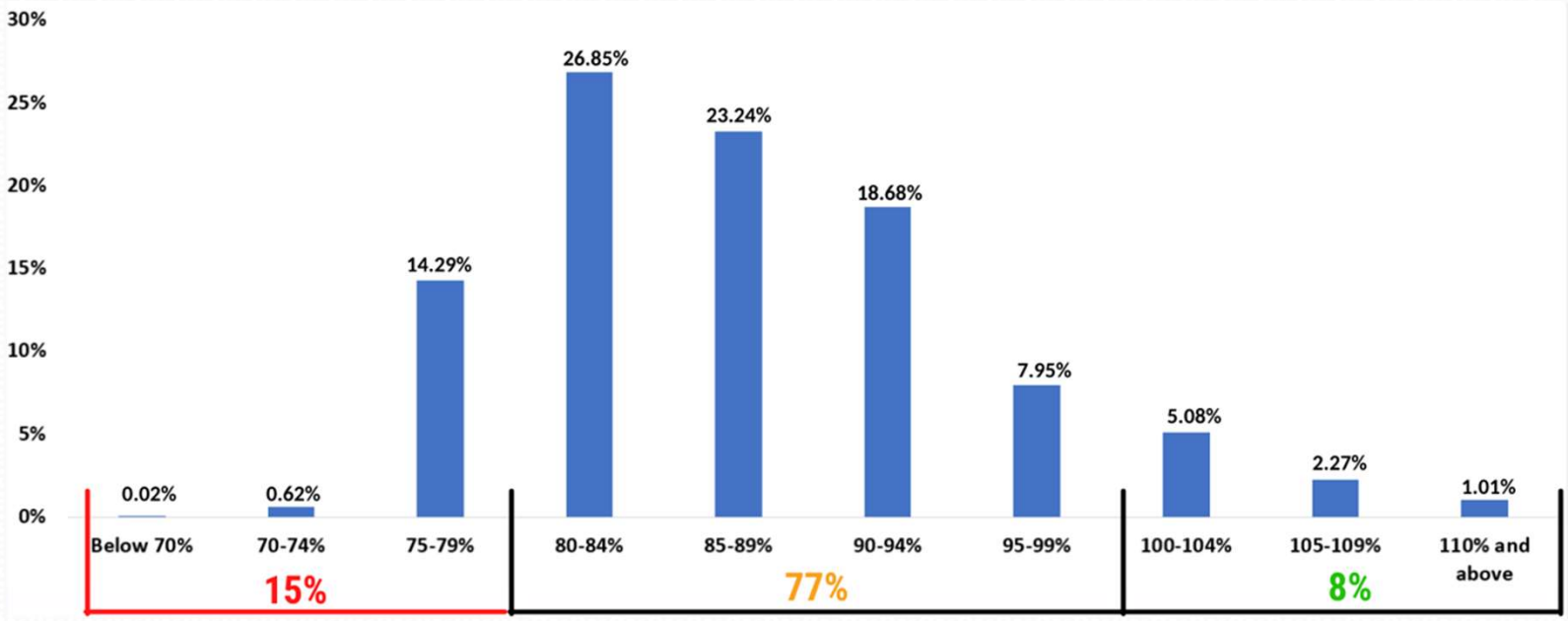
Aggregate Comp to Market



Benchmark Align with Market



Current Compa Ratio



Artificial Minimum

Grade Minimum

Market Value

Grade Maximum

Compensation Proposal

Market Compensation

- Review of pay practices and structure increases within the market
- Structure movement indicates the general increase in the cost of labor
  - ✓ Moving 2% for FY23

Salary Policy

- Pay increase recommendation – 6%
  - ✓ Result of a number of factors: market, inflation, affordability
- Targeted increases, movement to market minimums
  - ✓ Targeted increase example: DOC

Example of Target Increases

GRADE	F	G	H	I	J	
			SGT		CAPT	
POSITION	CO	CPL	Unit Coord	LT	Unit Mgr	
>1	20.00	21.00	22.05	23.15	50,759.54	24.31
1 - 1.99	20.40	21.42	22.50	23.63	51,774.75	24.80
2 - 2.99	20.81	21.85	22.95	24.11	52,810.25	25.29
3 - 3.99	21.23	22.29	23.41	24.60	53,866.46	25.80
4 - 4.99	21.66	22.74	23.88	25.10	54,943.79	26.31
5 - 5.99	22.10	23.20	24.36	25.61	56,042.67	26.84
6 - 9.99	22.30	23.40	24.56	25.85	56,492.37	27.06
10 - 14.99	22.55	23.65	24.81	26.11	57,035.39	27.32
15 - 19.99	22.75	23.85	25.01	26.31	57,464.46	27.52
20 - 29.99	23.05	24.15	25.36	26.66	58,114.29	27.83
30 +	23.27	24.37	25.58	26.98	58,595.59	28.06

PLEASE NOTE: The targeted pay levels shown are subject to the passage of the Governor's recommended budget.

FY23 Recommended Budget (p. 2)

	General	Federal	Other	Total
Market Adjustment	$24,746,814	$11,420,348	$29,708,269	$65,875,431
Artificial Minimums	$46,287	$14,247	$180,565	$241,099
Targeted Jobs	$3,170,225	$462,082	$1,970,355	$5,602,662
Total Increase	**$27,963,326**	**$11,896,677**	**$31,859,189**	**$71,719,192**

Thank You