

# State Employee Compensation & Benefits

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*Joint Committee on Appropriations  
Fiscal Year 2027 Budget Hearing  
January 14, 2026*



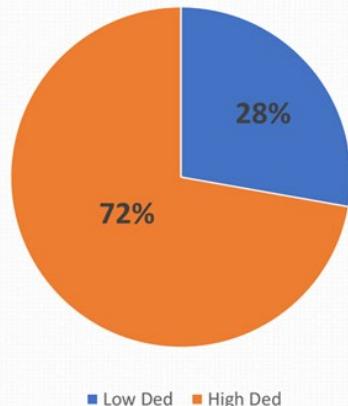
Photo by TravelSouthDakota

# Agenda

- Total Rewards Review
- Position Today
- FY27 Recommendations

# Health Plan History

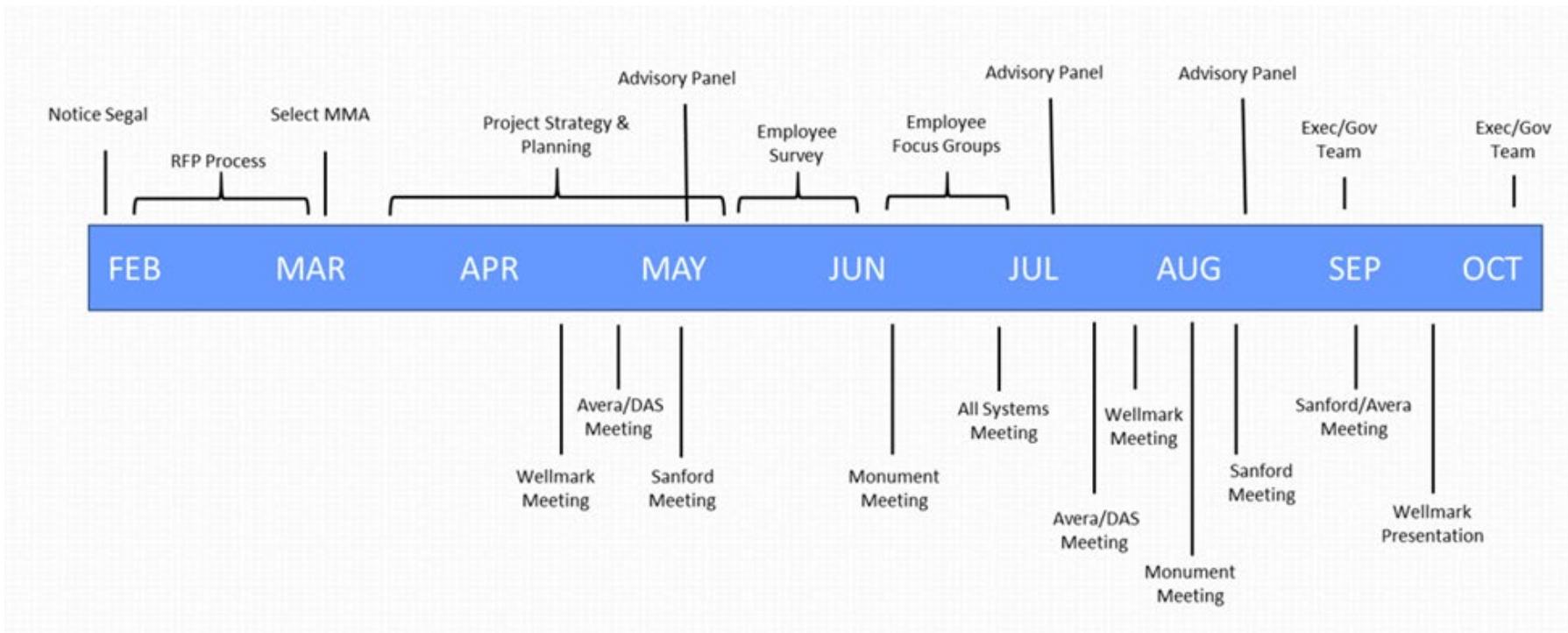
## Health Plan Enrollment



## SEHP FY20 Financial

	ORIGINAL ESTIMATE	UPDATED ESTIMATE	ACTUAL
	RECOMMENDED ONE-TIME INCREASE OF \$232	AMENDED ONE- TIME INCREASE OF \$2,053	LEGISLATIVE ADOPTED ONE- TIME INCREASE OF \$2,053
Employer Rate	\$10,071+\$232 \$10,303	\$10,071+\$2,053 \$12,124	\$10,071+\$2,053 \$12,124
	FY 2020	FY 2020	FY 2020
Total Revenue	\$149,455,937	\$173,101,622	\$174,980,961
Total Expenses	\$159,960,694	\$159,960,694	\$150,804,500
Current Year Over/(Underrecovery)	(\$10,504,757)	\$13,140,928	\$24,176,461

# Market Competitive-Simplified-Sustainable



# Meet Diverse Needs – Maintain Market Advantage

High Deductible Median South Dakota		
	Premium	OoP Max
Employee	\$ 83.04	\$5300
Employee + Child	\$313.94	\$9000
Employee + Spouse	\$408.54	\$9000
Family	\$539.31	\$9000

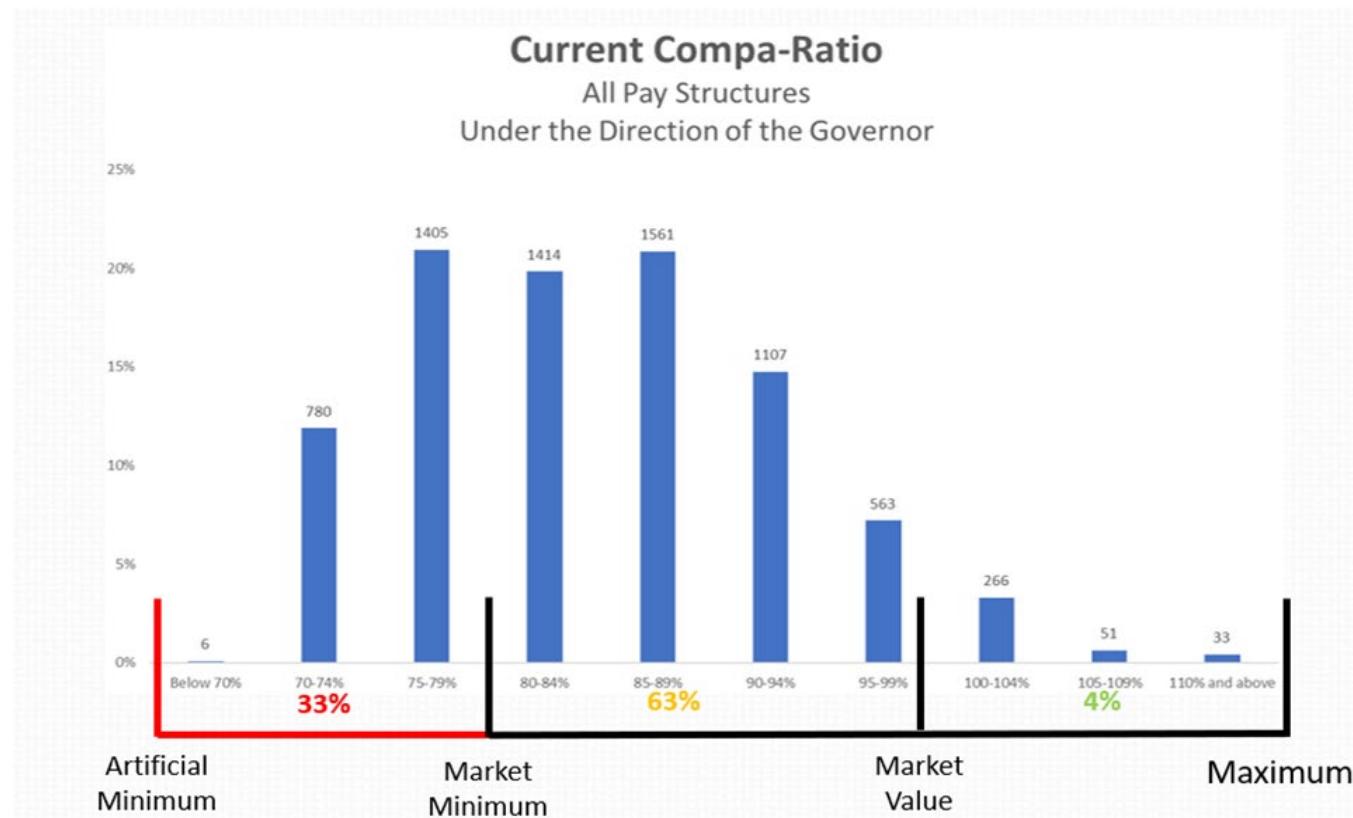
Low Deductible Median South Dakota		
	Premium	OoP Max
Employee	\$146.77	\$5000
Employee + Child	\$444.84	\$12,000
Employee + Spouse	\$494.22	\$12,000
Family	\$709.40	\$12,000

	Tier	Washington	Lincoln	Jefferson	Roosevelt
Deductible	Single	\$5500	\$3000	\$1750	\$0
	All Other	\$11,000	\$6000	\$3500	\$0
Out of Pocket Maximum	Single	\$5500	\$6000	\$4000	\$4500
	All Other	\$11,000	\$12,000	\$8000	\$9000
Estimated Monthly Employee Premium					
Employee Only		\$0	\$24.49	\$89.79	\$114.28
Employee + Child		\$42.63	\$80.25	\$180.57	\$218.19
Employee + Spouse		\$96.04	\$149.00	\$290.24	\$343.20
Family		\$119.67	\$185.66	\$361.64	\$427.64

# Budget Reinvested Plan Savings

	General	Federal	Other	Total
Market Adjustment	\$9,572,887	\$4,381,984	\$11,363,347	\$25,318,218
Health Insurance	(\$5,178,162)	(\$2,281,620)	(\$5,097,814)	(\$12,557,596)
Artificial Minimums and Equity Adjustments	\$5,178,162	\$2,281,620	\$5,097,814	\$12,557,596
<b>Total Increase</b>	<b>\$9,572,887</b>	<b>\$4,381,984</b>	<b>\$11,363,347</b>	<b>\$25,318,218</b>

# Market Competitive-Simplified-Sustainable



# Compensation Movement in FY22

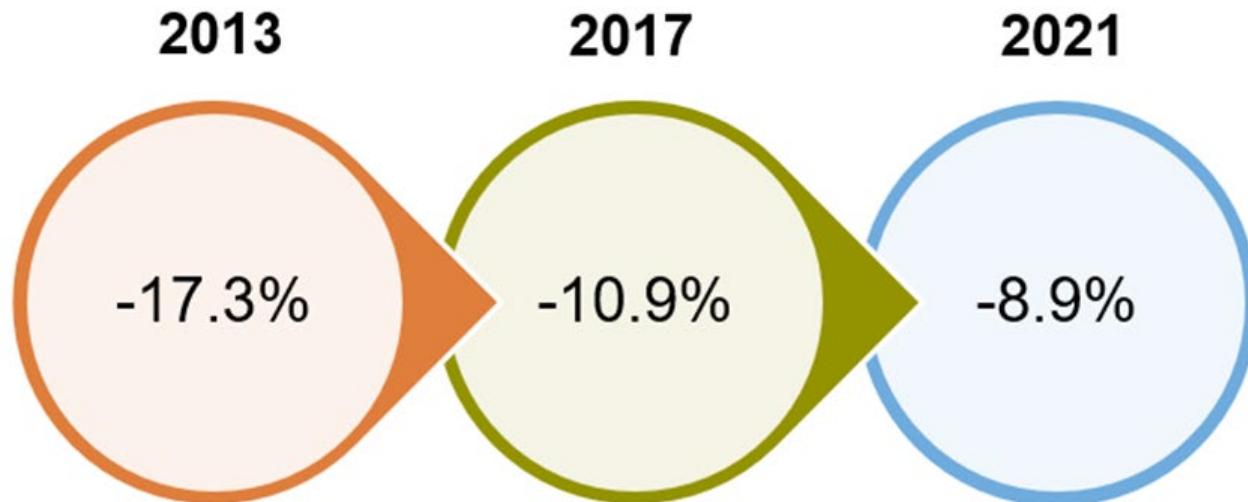
MINIMUM MOVEMENT TOWARD TRUE MINIMUM			
GRADE	Current Min % of Market	New Min % of Market	Target Min % of Market
B	0.8000	0.8000	0.85
C	0.7797	0.8000	0.85
D	0.7509	0.8000	0.85
E	0.7501	0.8000	0.85
F	0.7501	0.8000	0.85
G	0.7507	0.8000	0.85
H	0.7063	0.7800	0.80
I	0.7063	0.7800	0.80
J	0.7060	0.7800	0.80
K	0.7194	0.7800	0.80
L	0.7192	0.7800	0.80
M	0.7591	0.7800	0.80
N	0.7998	0.7998	0.80
O	0.8000	0.8000	0.80
P	0.7998	0.7998	0.80

Decompression Pay	
Time in Grade	Flat Increase
Less than 1 year	\$ -
1 – 1.99 years	\$ 200.00
2 – 2.99 years	\$ 325.00
3 – 3.99 years	\$ 450.00
4 – 4.99 years	\$ 522.00
5 – 6.99 years	\$ 835.20
7 – 9.99 years	\$ 1,044.00
10 – 14.99 years	\$ 1,252.80
15 – 19.99 years	\$ 1,566.00
20 – 29.99 years	\$ 1,875.00
30 or more years	\$ 2,088.00

1,713 employees move to the new minimum.

10,584 receive flat decompression pay.

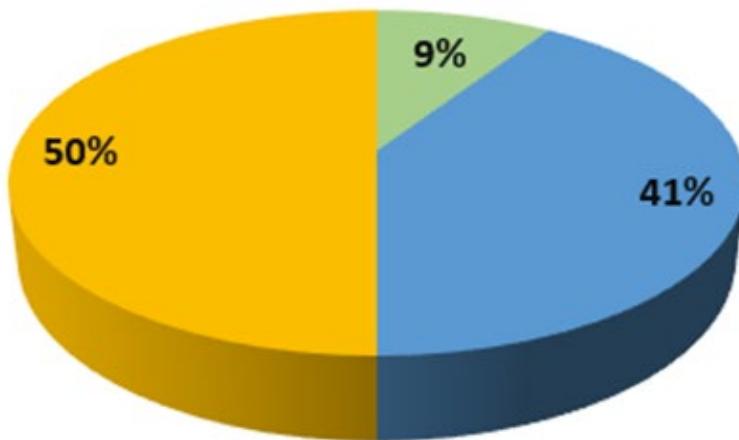
# Historic Base Compensation Compare



Gallagher Total Remuneration Studies – 182 benchmark jobs

# 2021 Remuneration Alignment to Market

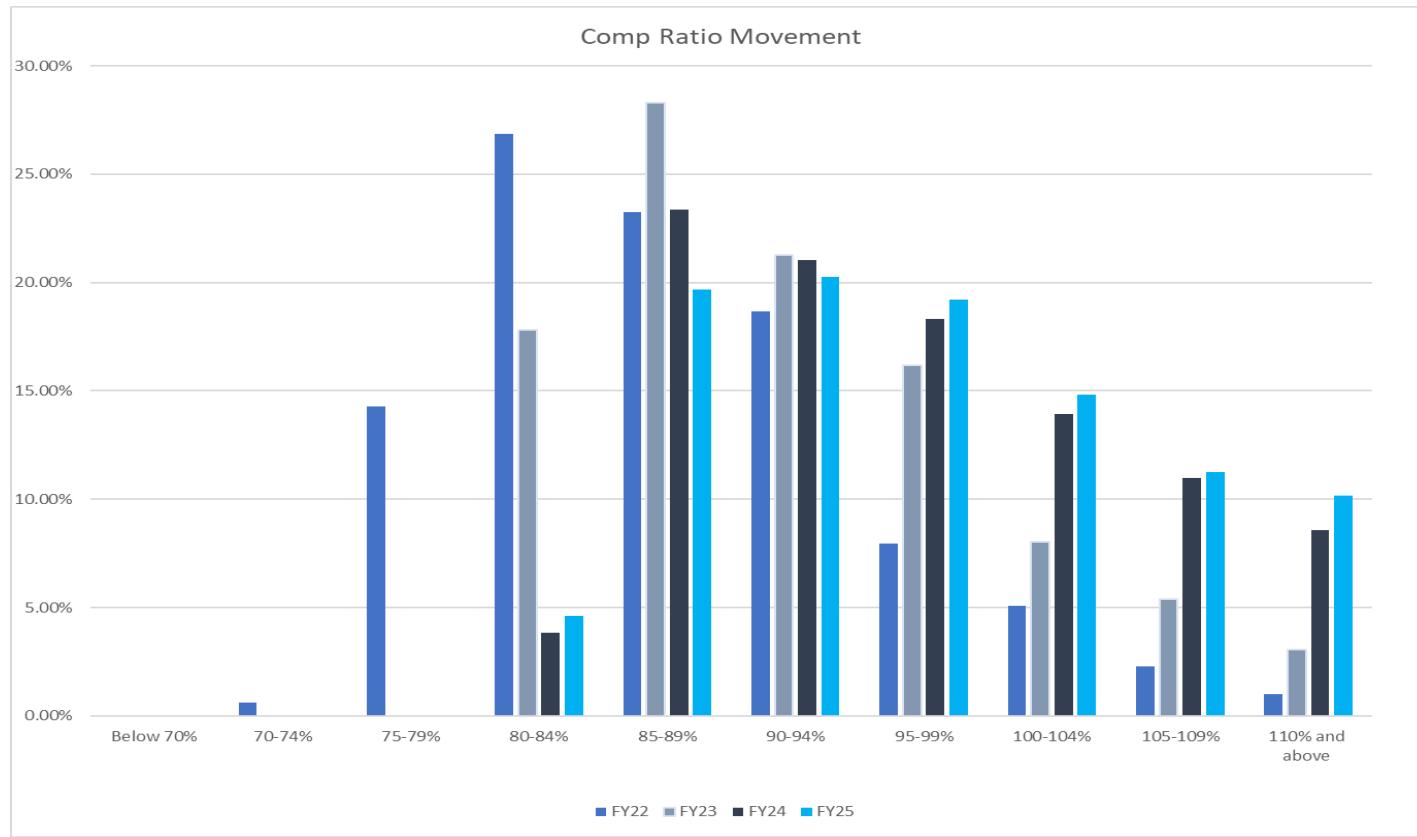
## Job Salary Competitiveness Level Dispersion



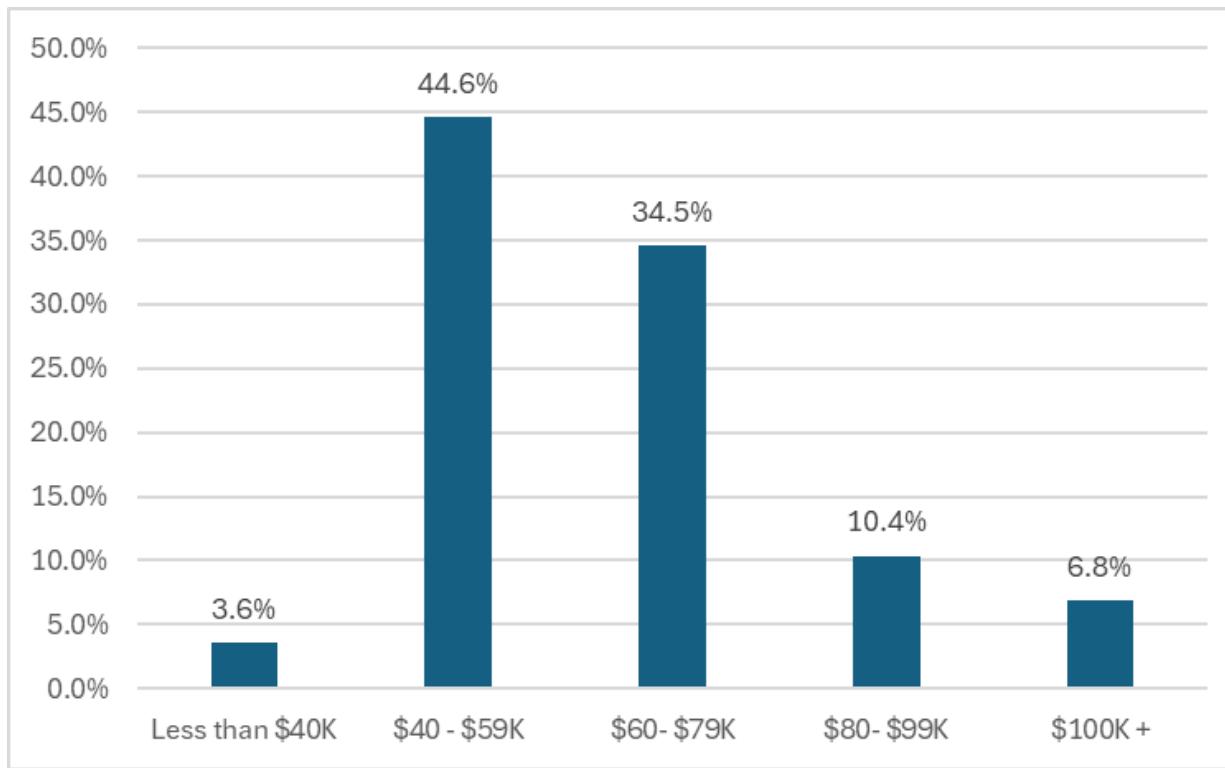
■ Potentially Misaligned (leading) ■ Competitive ■ Potentially Misaligned (lagging)

Gallagher Total Remuneration Studies – 182 benchmark jobs

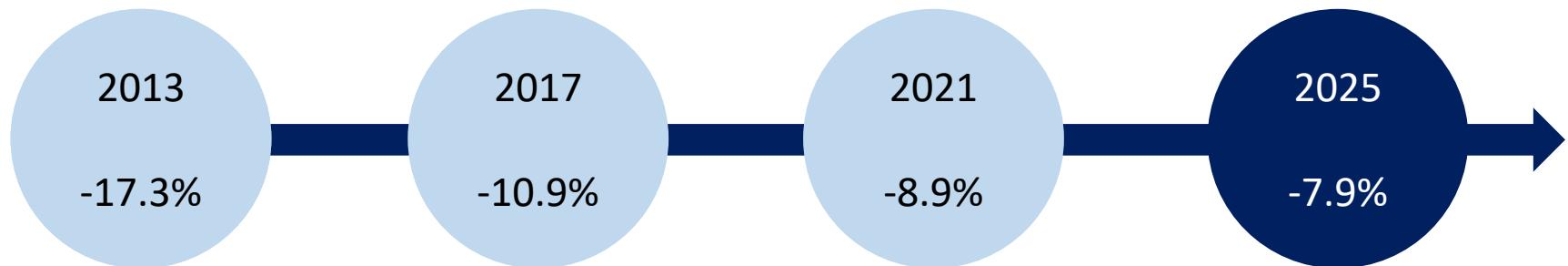
# Compa Ratio Movement



# FY26 Pay Rates

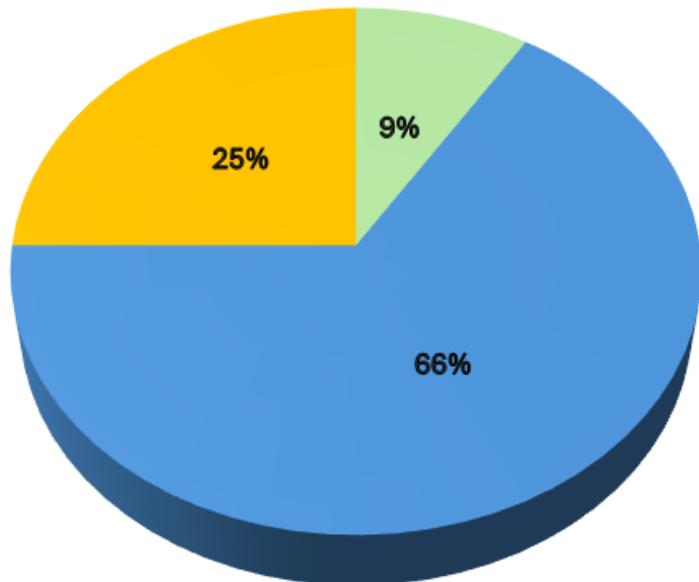


# 2025 Remuneration Study - Base Pay to Market



Mercer 2025

# 2025 Remuneration Alignment to Market

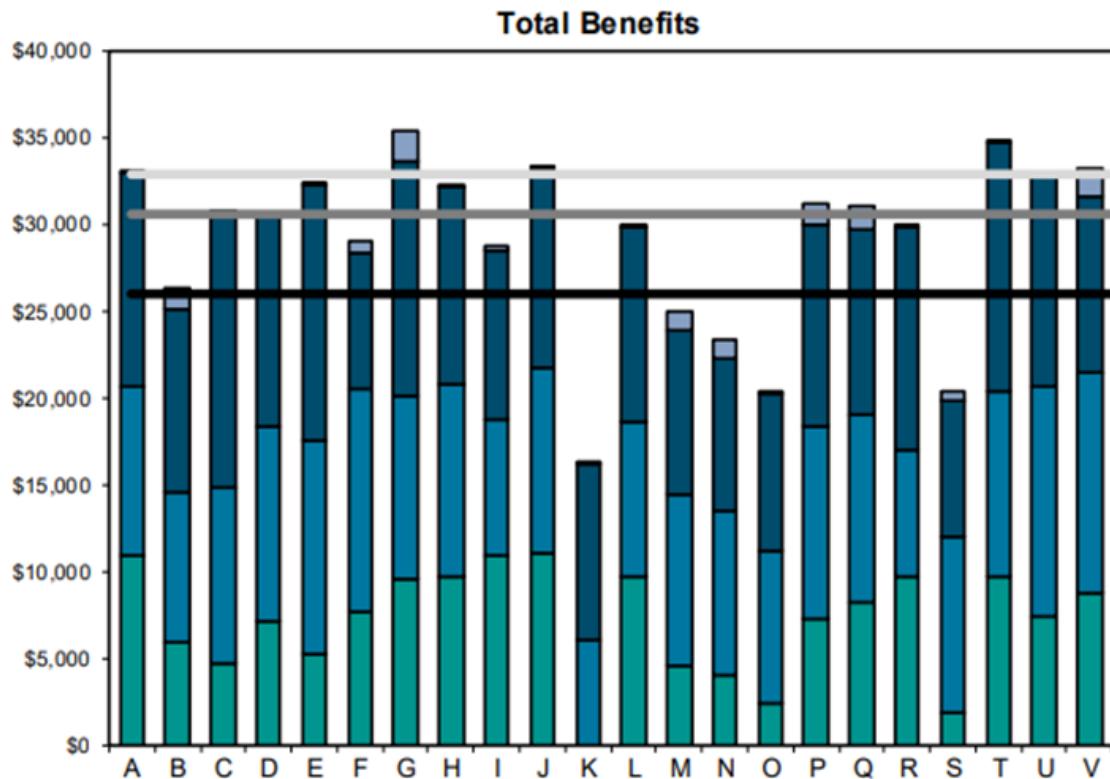


■ Potentially Misaligned (leading) ■ Competitive ■ Potentially Misaligned (lagging)

# Compensation

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# 2025 Remuneration Study - Benefits



6 surrounding states  
4 SD cities  
1 SD county  
11 private organizations

# State Employee Benefits



Health Plan



Voluntary  
Benefits

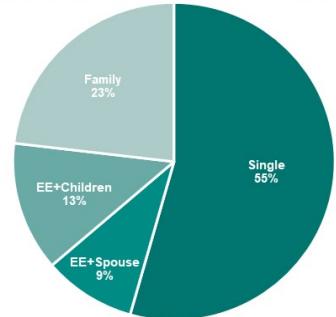


Other  
Benefits



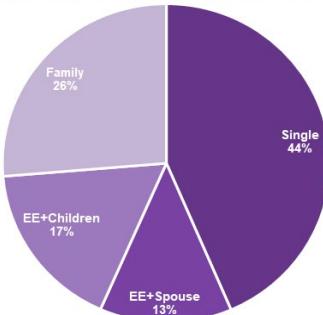
# State Health Plan: Plan Enrollment by Tier

**Washington Plan**  
Higher Deductible HSA Compatible HDHP



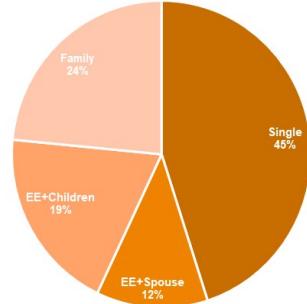
5,699  
Employees

**Lincoln Plan**  
Lower Deductible HSA Compatible HDHP



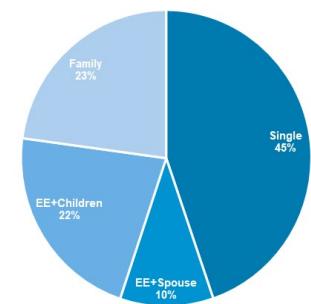
2,262  
Employees

**Jefferson Plan**  
Standard PPO option with fixed copays, deductible and coinsurance



2,343  
Employees

**Roosevelt Plan**  
\$0 Deductible Plan with fixed copays on all services



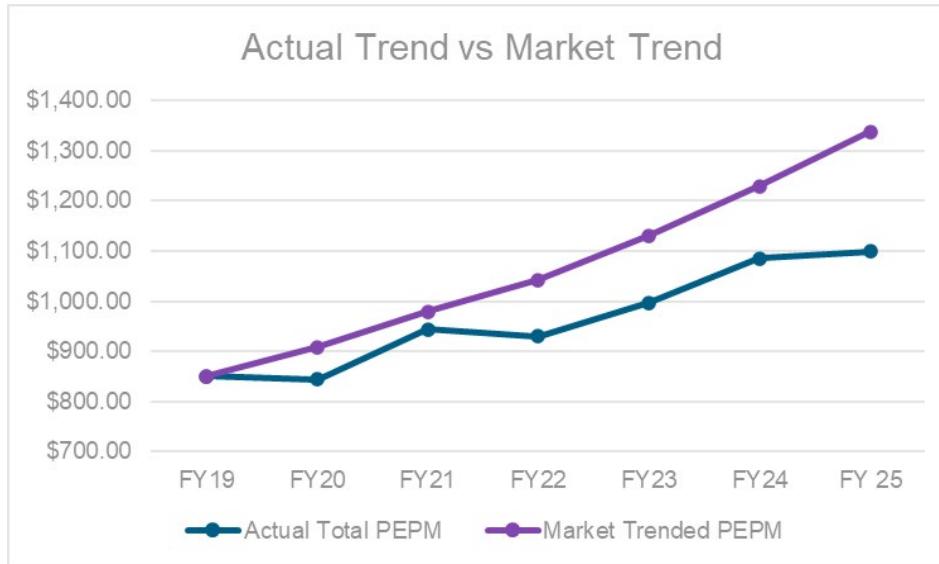
1,922  
Employees

# State Health Plan: Claims Over Time

	FY19	FY20	FY21	FY22	FY23	FY24	FY 25
Medical Incurred	\$97,522,896	\$94,266,907	\$104,171,837	\$98,233,698	\$103,666,450	\$116,943,256	\$118,329,982
Rx Incurred	\$31,965,410	\$33,464,526	\$36,901,389	\$36,348,323	\$39,274,272	\$41,175,483	\$43,355,684
Total	\$129,488,306	\$127,731,433	\$141,073,226	\$134,582,020	\$142,940,722	\$158,118,739	\$161,685,666
Medical PEPM	\$640.31	\$623.02	\$697.38	\$679.15	\$723.28	\$802.89	\$804.48
RX PEPM	\$209.88	\$221.17	\$247.04	\$251.30	\$274.02	\$282.70	\$294.76
Total PEPM	\$850.19	\$844.19	\$944.42	\$930.45	\$997.30	\$1,085.59	\$1,099.24
Medical Trend		-2.7%	11.9%	-2.6%	6.5%	11.0%	0.2%
RX Trend		5.4%	11.7%	1.7%	9.0%	3.2%	4.3%
Total Trend		-0.7%	11.9%	-1.5%	7.2%	8.9%	1.3%
EE Months	152,306	151,306	149,376	144,641	143,328	145,653	147,088

FY22 included changes to TPA vendor, plan design and premium contribution

# State Health Plan: Claims Over Time

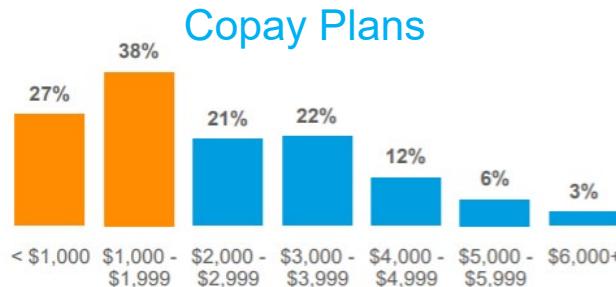


- Historic market comparable trends have been approximately 7-8% from FY 19 to FY 25
- Actual State trends have averaged 4.4% over the same time period.

FY22 included changes to TPA vendor, plan design and premium contribution

# State Health Plan: Industry Benchmarking

## Individual Deductible



### On average:

- Employers offer between 2 and 3 plan designs
- The individual deductible for a copay plan is \$2,250
- The coinsurance layer is 75 % after the deductible
- The out of pocket maximum for a copay plan is \$5,500
- An office visit copay is \$30, and a specialist copay is \$45
- Emergency room copays are \$250
- Tier 1 formulary copays are \$12; the difference between Tier 1 and Tier 2 is 2.9x

## HDHP Plans



### On average:

- Employers offer at least 1 HDHP in their benefit portfolio.
- The individual deductible for a HDHP is \$4,250.
- 64 % of plans have the same deductible and out-of-pocket maximum.
- The coinsurance layer is 80 % for plans with a separate out of pocket maximum
- An out of pocket maximum is 1.5x and 2x the deductible

█ State of South Dakota Benefits Offered  
█ All other commercial plans offered

# State Health Plan: FY2027 Premiums

Current FY26 Premiums	Washington (\$5,750 Deductible w/ HSA)	Lincoln (\$3,500 Deductible w/ HSA)	Jefferson (\$2,000 Deductible)	Roosevelt (\$0 Deductible)
EE Only	\$0.00	\$28.90	\$108.92	\$141.12
EE + Spouse	\$119.82	\$187.60	\$402.26	\$484.32
EE + Child(ren)	\$47.48	\$91.14	\$219.00	\$269.66
Family	\$141.18	\$221.10	\$471.64	\$568.02

Note: Premium rate per month

Recommending no changes to premiums for FY2027.

# State Health Plan: Recommended Plan Changes

Plan	Change to Employee Only	Change to All Other Levels
Washington	Deductible and Out-of-Pocket Max: \$5,750 to \$6,000	Deductible and Out-of-Pocket Max: \$11,500 to \$12,000
Lincoln	Deductible: \$3,500 to \$4,000 Out-of-Pocket Max: \$6,500 to \$7,000	Deductible: \$7,000 to \$8,000 Out-of-Pocket Max: \$13,000 to \$14,000
Jefferson	Deductible: \$2,000 to \$2,250 Out-of-Pocket Max: \$4,500 to \$5,000	Deductible: \$4,000 to \$4,500 Out-of-Pocket Max: \$9,000 to \$10,000
Roosevelt	Office Visit Copay: \$40 to \$50 Specialty Copay: \$75 to \$100	

# State Health Plan: FY2026 and FY2027 Projection

	Actual FY2025	Projected FY2026	Projected FY2027
Employer Rate	\$11,851	\$12,388	\$12,388
<b>EMPLOYER</b>	\$153,572,943	\$160,139,676	\$160,139,676
<b>EMPLOYER INCREASE</b>			\$0
<b>COBRA</b>	\$493,669	\$520,000	\$520,000
<b>EMPLOYEE</b>	\$18,736,864	\$20,882,462	\$20,882,462
<b>EMPLOYEE INCREASE</b>			\$0
<b>REBATES/SUBROGATION</b>	\$18,593,716	\$17,000,000	\$17,800,000
<b>ADMINISTRATIVE FEE</b>	\$131,313	\$130,000	\$130,000
<b>INTEREST</b>	\$1,817,748	\$1,900,000	\$1,900,000
<b>TOTAL REVENUE</b>	<u>\$193,346,253</u>	<u>\$200,572,138</u>	<u>\$201,372,138</u>
<b>MEDICAL/RX CLAIMS</b>	\$164,577,351	\$181,979,370	\$188,363,025
<b>PLAN DESIGN CHANGES</b>			(\$2,988,831)
<b>ADMINISTRATION</b>	\$19,777,020	\$20,308,518	\$20,683,543
<b>TOTAL EXPENSES</b>	<u>\$184,354,371</u>	<u>\$202,287,888</u>	<u>\$206,057,737</u>
<b>Current Year Over/(Underrecovery)</b>	\$8,991,882	(\$1,715,750)	(\$4,685,599)
<b>Reserve</b>	\$32,795,382	\$31,079,632	\$26,394,033

# State Employee Compensation & Benefits

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# Acronyms/Definitions

**Compa Ratio** – Employee's salary divided by mid-point of the pay grade

**EE** – Enrolled Employee

**HDHP** – High Deductible Health Plan

**HSA** – Health Savings Account – A tax free savings vehicle for those enrolled in a HDHP

**Jefferson Plan** – Standard PPO option with fixed copays, deductible and coinsurance

**Lincoln Plan** – HSA-compatible HDHP

**PEPM** – Per Employee Per Month

**PPO** – Preferred Provider Organization

**Roosevelt Plan** – \$0 deductible plan with fixed copays on all services

**RX** – Prescription drugs

**SEHP** – State Employee Health Plan

**TPA** – Third-Party Administrator - an administrative services provider that delivers support for self-insured health plans

**Washington Plan** – HSA-compatible HDHP with \$0 premium with employee coverage