



**Legislative
Research
Council**

MINUTES

Bureau of Personnel Agency Review Committee

**Second Meeting
2009 Interim
Monday, August 24, 2009**

**LCR 1 & 2
State Capitol Building
Pierre, South Dakota**

The second meeting of the interim Bureau of Personnel Agency Review Committee was called to order by Representative Larry Tidemann, Chair, at 9:00 a.m. (CT), on Monday, August 24, 2009, in Legislative Conference Rooms 1 and 2 of the State Capitol, in Pierre, South Dakota.

A quorum was determined with the following members answering the roll call: Senators Jeff Haverly (Vice Chair) and Jim Hundstad; and Representatives Phil Jensen, Patrick Kirschman, Don Kopp, Todd Schlekeway, Larry Tidemann (Chair), and Susan Wismer. Senator Jim Bradford joined the meeting following the roll call. Senators Corey Brown and Cooper Garnos and Representative Kristi Noem were excused.

Staff members present included Terry Miller, Senior Fiscal Analyst; Tom Magedanz, Principal Research Analyst; and Kris Schneider, Senior Legislative Secretary.

All material distributed at the meeting is attached to the original minutes on file in the Legislative Research Council (LRC). For the purpose of continuity, these minutes are not necessarily in chronological order. This meeting was web cast live. The archived web cast is available at the LRC website at <http://legis.state.sd.us> under "Interim Information – Minutes and Agendas."

Approval of Minutes

Senator Hundstad moved, seconded by Representative Schlekeway to amend the June 16, 2009, minutes as follows: On page two, paragraph three, first sentence: after "benefited" delete "employees, dependents, retirees, and COBRA participants" and insert "members comprised of active employees, retirees, COBRA, and their dependents". On page five, paragraph three, fifth sentence: after "former employees;" delete "two". On page six, paragraph one, second sentence: after "lost" delete "several" and insert "the majority of healthy". Motion to amend the minutes prevailed on a voice vote.

Representative Wismer moved, seconded by Senator Hundstad, to approve the June 16, 2009, minutes as amended. Motion prevailed on a voice vote.

Approval of Agenda

Representative Wismer moved, seconded by Representative Jensen, to approve the agenda. Motion prevailed on a voice vote.

Bureau of Personnel's Presentation
(continued from first meeting)

Risk Pool

Ms. Sandy Zinter, Commissioner, introduced **Ms. Jill Kruger**, Risk Pool Manager, who reviewed the history, eligibility criteria, and benefits for the Risk Pool. The program is administered by a seven member governing board, a fifteen member advisory panel, and two staff members of the Bureau of Personnel (BOP). Currently there are 632 active enrollees. Since the inception in 2003, 1,700 people have benefited from the program.

Budget

Ms. Mary Keeler, accountant with the Bureau of Finance and Management who is assigned to the BOP, reviewed the major changes to their budget. In FY 01, BOP's budget was \$4.7 million with 68 FTE. In FY10 BOP's budget has grown to just over \$6 million and 71.5 FTE. The Risk Pool budget has grown from \$6.5 million in FY 04 to \$9.5 million in FY 10. The Risk Pool has a \$1.5 million reserve.

Ms. Keeler reviewed the steps in developing the annual budget for benefits. In FY 09, the per employee rate for benefits was \$5,773.

The unaudited "State Employee Self Insured Health Plan -- Full Accrual Basis Financial Statements" was distributed and reviewed (**Document 1**). Also distributed was a "Comparison of surrounding state's FY09 annual health contributions per employee from the 2008 Central State's Compensation Association Benefit Survey" (**Document 2**). At the request of the committee, Commissioner Zinter stated she would provide to the committee, prior to the next meeting, a comparison of salaries, including benefits, for South Dakota and other surrounding states with other statistics such as cost of living and state income tax figured in.

Professional Organizations

Commissioner Zinter distributed a handout listing the professional associations BOP belongs to (**Document 3**).

Response to Questions from First Meeting

Commissioner Zinter distributed written responses to the questions posed at the first meeting (**Document 4**).

Public Testimony
(Policies and Performance of the BOP)

Ms. Barbara Smith, Sioux Falls, Chief Executive Officer of the South Dakota State Medical Association, submitted a letter dated July 29, 2009, regarding the positive working relationship the association has with the BOP (**Document 5**).

Mr. Jeff Jares, President, Claims Associates, Inc., submitted an e-mail dated August 21, 2009, regarding the successful partnership they have with the BOP (**Document 6**).

Mr. Corey Landeen, Pierre, Executive Director for the South Dakota State Employees Organization (SDSEO), testified that some of the employees have voiced concerns with the PACE's concept of job worth, the ceiling attached to it, and the lack of any incentives once an employee is at job worth. He noted that state employees are appreciative of the health plan; however, employees are not made aware of proposed changes to the plan until late spring. SDSEO would like to see some apple to apple comparisons with surrounding states as far as salary comparisons and benefits. He stated that there is a perception that all state employees have access to various benefits when in fact they do not, i.e. reduced tuition, retire/rehire, and the leadership development plan. SDSEO would like to see a breakdown between career services and exempt employees for retiree/rehires. As far as employee raises, he has heard that state employees understand why there was not a pay raise this year; however, during good years there has not been an effort to give more than the traditional 3%. In the past four years, employee's deductibles and co-insurance have also gone up.

Mr. Rob Wylie, South Dakota Retirement System (SDRS), spoke about the state's retirement system and their working relationship with the BOP. In response to a question dealing with the retire/rehire policy, Mr. Wylie stated that the retire/rehire policy has been in existence since 1974. The decision to allow employees to retire/rehire is a local decision. He stated that of the 20,000 retirees in the SDRS, 700 have returned to work. The K-12 system, state government, counties, and cities are all at about 2% of the active employees that have retired/rehired.

At 11:47 a.m. the committee recessed for a tour of BOP's computer lab and lunch. The committee reconvened at 1:15 p.m.

Mr. Dave Hewett, Sioux Falls, President, South Dakota Association of Healthcare Organizations (SDAHO), and a member of the South Dakota Risk Pool Board, testified that the risk pool is run very effectively and efficiently. In regards to the state employee's health plan, he stated that the 80/20 and 75/25 co-pays are within the market norm. He cautioned the Legislature to keep the premiums, deductibles, and co-pay amounts in line; otherwise, healthy employees/dependents will go elsewhere for coverage.

Mr. Kirk Zimmer, Sioux Falls, CEO, Dakotacare, testified that they are pleased to have had a long-term relationship with BOP since 1994. He reviewed the different types of services they have provided to the BOP.

Mr. Gordon Garnos, Watertown, Chair, South Dakota Career Service Commission, testified that the BOP staff is very professional and efficient to work with.

In response to the public testimony, Commissioner Zinter stated that the issue of job worth and employee perception is a problem. It is part of the reason why BOP is looking at career banding.

As to the issue with salary, Commissioner Zinter stated that employees do a great job and concur 100% on that part of the issue.

As to the issue of when state employees are told if there will be proposed changes to the health insurance benefits, Commissioner Zinter stated that until the Governor addresses the Legislature, she is unable to provide the information to the SDSEO.

Commissioner Zinter stated that the perception on the retire/rehire is that career service employees are treated differently than exempt employees. The state does not have a different policy; the state has to sign the certification for all employees.

In response to an earlier inquiry as to how many major medical insurance carriers there are, Ms. Kruger stated there are 18 individual carriers, 15 small groups, and 17 large groups. Some of the carriers provide all three types of insurance. There are 63 companies that pay assessments to the South Dakota Risk Pool.

Committee Discussion

In response to a question why there is no merit pay, **Ms. Sandy Jorgenson**, Director of Compensation, stated that prior to PACE, there was some merit pay. There were difficulties funding it so the decision was made to not take a sliver of the funds that would affect only a few people.

Representative Wismer questioned why employee evaluations are not done on a regular schedule. Commissioner Zinter stated that BOP encourages the departments to have supervisors perform annual evaluations. Classes are available for both employees and supervisors on performance evaluations. The Human Resource Managers track the evaluations and distribute reports to cabinet members regarding same.

Representative Wismer stated in her business as an accountant, she sees problems with retirement plan distributions. She would like to see better information distributed to employees so they are aware of the tax consequences.

Representative Kopp commended the BOP for the good job they are doing.

Senator Hundstad asked that the existing administrative rules and regulations also be reviewed. He also requested an electronic copy of all the committee handouts. Staff will post the documents on LRC's website.

Representative Jensen would like a report of how state employee pay compares to surrounding states, including the cost of living, and whether or not there is a state income tax.

Clean Up Legislation

Mr. Tom Magedanz informed the committee that prior to the next meeting they will receive a copy of draft legislation which will include style and form changes, gender neutral changes, and other minor changes to conform to drafting styles.

Next Meeting Date

Chair Tidemann set the third and final meeting for Wednesday, October 7, 2009, at 10:00 a.m.

Adjournment

Representative Jensen moved, seconded by Representative Kirschman, that the meeting adjourn. Motion prevailed on a voice vote.

The meeting adjourned at 3:16 p.m.

