



Legislative
Research
Council

MINUTES

Bureau of Personnel Agency Review Committee

Amended August 24, 2009

First Meeting
2009 Interim
Tuesday, June 16, 2009

LCR 1 & 2
State Capitol Building
Pierre, South Dakota

The first 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 Tuesday, June 16, 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 Jim Bradford, Corey Brown, Cooper Garnos, and Jim Hundstad; and Representatives Phil Jensen, Patrick Kirschman, Don Kopp, Kristi Noem, Todd Schlekeway, Larry Tidemann (Chair), and Susan Wismer. Senator Jeff Haverly (Vice Chair) was excused. Senator Brown acted as Vice Chair in Senator Haverly's absence.

Staff members present included Terry Miller, Senior Fiscal Analyst; Tom Magedanz, Principal Research Analyst; Reuben Bezpaletz, Chief Analyst for Research and Legal Services; 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."

Remarks from the Chair and Vice Chair

Chair Larry Tidemann welcomed the officials from the Bureau of Personnel (BOP) and explained the roles and function of the committee.

Historical Perspective of the Sunset Process

Mr. Reuben Bezpaletz gave a historical perspective of the legislative sunset process and discussed a typical study plan for Interim sunset committees (**Document 1**).

Bureau of Personnel's Presentation

Ms. Sandy Zinter, Commissioner, stated the legislative authority for the Bureau of Personnel is provided for in SDCL Chapter 1-33. They are one of four bureaus within the Department of Executive Management and currently have 71.5 full time employees (FTEs).

The mission of BOP is "to build a high quality state government workforce that South Dakota agencies need to provide critical services and promote economic prosperity."

Commissioner Zinter presented a historical review of the major changes to the BOP over the last twenty years:

- FY 89 – BOP took over State Benefits. Previously benefits were handled by the South Dakota Retirement System. (+ 6.2 FTE)
- FY 94 – BOP took over State Employee Workers' Compensation Program. Previously the Department of Labor handled workers' comp claims for state employees. (+ 3 FTE)
- FY 97 – Human Resource (HR) agency functions consolidated. Previously HR functions were located within each agency. (+ 31 FTE)
- FY 98 – Employee training functions consolidated. Previously some of the agencies were responsible for their own training.
- FY 04 – Risk Pool Program implemented. (+ 1 FTE)

BOP's guiding principles are planning for the future workforce challenges; delivering results-oriented HR programs; helping managers lead; and maximizing human potential with agencies. BOP's strategic goals are talent acquisition, talent retention, and talent management.

BOP serves 18,000 job applicants; 28,000 benefited members comprised of active employees, retirees, COBRA, and their dependents; 27,000 employees and volunteers covered by workers' compensation; 12,000 employees on central payroll; 10,000 Executive Agency employees under the Governor's control; and 650 Risk Pool participants.

A presentation was given on "Carol's Career in State Government" which was a brief overview of how the BOP interacts and serves state employees and others.

Classification and Training

Ms. Ellen Zeller, Director of Classification and Training, stated the division is divided into three areas – recruitment, classification, and training and has 17 FTE.

Recruitment – The recruitment staff is responsible for talent acquisition which includes the recruitment functions and the Student Intern Program. She noted that in FY 08, 18,000 job applications were received of which 10,000 were filed electronically. In FY 08, over 1,200 applications were received for 310 internship positions. New jobs are announced every Tuesday and Friday on the BOP's website, www.bop.sd.gov/jobs.

Chair Tidemann inquired as to how many of the 1,000+ jobs announced in FY 08 were from new positions and how many from retirements? Ms. Zeller stated she did not have that information with her and would provide the information to the committee at a later date.

Training – The training staff is responsible for talent retention which includes the Training and Development Program and the Leadership Development Program. A brief overview of the history of the Training and Development Program was presented. In FY 08, 375 training courses were offered and attended by 5,800 employees.

In response to a question on how the training dollars are budgeted, **Ms. Mary Keeler**, Bureau of Finance and Management, explained how the rate is determined. The current rate is \$12.25 per hour or \$36.75 for a three hour course.

The Leadership Development Program was implemented in July 2005. The program consists of five graduate level courses offered thru the University of South Dakota. Students must be nominated for the program by cabinet secretaries and the class size is limited to fifteen. By November 2009, 56 state employees will have graduated from the program.

In response to a question about the cost of the program to the state, Ms. Zeller stated that the average cost to the agencies is \$4,000. This includes travel, per diem, and class costs but not salary. The students have the option to pay \$50 per graduate credit hour if they wish to receive graduate credit; however, it is not required.

Classification – The classification staff is responsible for talent management. They work with the classification system and job evaluations. It was noted that classifiers group similar jobs into the same classifications. They look at job duties, the level of decision making, the overall authority, the complexity, and the accountability; they do not look at performance, qualifications, salary, length of service, and what other states are paying for similar duties. Currently there are 860 class specifications. In FY 08, 600+ classification actions were taken. Classifiers also establish the pay grade schedule for each class. The State uses the Hay method of job evaluation system. It is based on the knowledge, problem solving, and accountability of the job. Every position within a class has the same pay grade. The Career Service Commission must approve pay grade changes for class specifications.

In response to a question if job classifications are appealable, Ms. Zeller stated that an employee can appeal their job title if the agency has changed job duties; however, the pay grade is not appealable.

Personnel Management Advisory Board - Ms. Zeller is BOP's liaison to the Personnel Management Advisory Board (PMAB). The board consists of 13 members who are all state employees, 6 of whom are elected. They represent all three branches of government and make personnel recommendations to the Governor. Additional information regarding the board is available at <http://bop.sd.gov/pmab.aspx>.

The committee recessed at 10:40 a.m. and reconvened at 11:00 a.m.

Compensation and Agency Support

Ms. Sandy Jorgensen, Director of Compensation and Agency Support, gave a brief overview of the division. The Human Resource (HR) managers and personnel specialists are assigned to specific state agencies. The HR analysts work in all areas. Overall, the division has 37 FTE.

Talent acquisition is a major part of the division's job. It involves workforce planning, staffing, recruitment and marketing, selection, and compensation. **Ms. Toni Richardson**, HR Analyst,

highlighted the various functions and gave the following demographic overview of state employees (Executive Branch only) from FY 08:

- Average Age – 44
- Average years of service – 11.5
- Average age of new hires – 34.9
- % of workforce Baby Boomers – 43.3%
- % of workforce Gen X – 48.3%
- % of workforce Gen Y – 8.4%.

Ms. Jorgensen reviewed the division's responsibility for the state's payroll system; new employee orientation regarding benefits, policies and procedures; new hire documentation; and employee communications.

Ms. Lynne Valenti, Legal Counsel, spoke briefly on talent management and BOP's involvement with performance management and discipline, employee relations, employment law administration and compliance issues. She noted that much of their support to agencies is in the area of disciplinary issues. The Career Service Commission and Law Enforcement Civil Service Commission hear grievances from employees. She provides state agencies with the support and expertise in the highly regulated areas of employment laws.

The committee recessed at 11:33 a.m. for lunch and toured the agencies facilities located in the Capitol and Foss Buildings. The committee reconvened at 1:18 p.m.

Ms. Jorgensen stated that the definition of compensation (salary and benefits) for state employees is defined in SDCL 3-8-1.13. The State implemented the Performance and Compensation Equity program (PACE) in 1992. PACE provides for an across-the board adjustment – to keep salaries competitive; a movement to job worth adjustment – a 2.5% salary increase to help bring new employees to job worth within seven years; and longevity pay – an annual lump sum payment to employees with more than 7 years experience. A copy of the “Salary Schedule – N Series, Fiscal Year 2009” and an “Illustration of PACE” were distributed and explained (**Documents 2 and 3**). It was noted there are different salary schedules for different job classifications. The pay grade for each classification is based on know-how, problem solving, and accountability.

In response to a question on the history of the salary and benefit package, the committee was provided a copy of the “Salary Policy – FY 1973 through FY 2009” (**Document 4**).

Since the implementation of the PACE program, some of the labor markets have outpaced others, thus BOP is looking at Career Banding for some pilot groups that are difficult to acquire talent for high demand jobs. The pilot occupation groups selected are: nurses, engineers, environmental scientists, information technology specialists, and accountants/auditors. The goals for career banding are to keep salary ranges competitive, reduce turnover, increase the quality of applicants, increase flexibility in agency staffing, and address career ladder issues in flattened organization structure. A handout entitled “FY07 Applicant Statistics for Pilot Occupations” and “FY 07 New Hire Statistics for Pilot Occupations” was distributed and reviewed (**Documents 5 and 6**).

Part of the compensation package includes leave time benefits, i.e., vacation, sick, personal, military training, and court and jury. There are also ten paid holidays.

Employee Benefits

Mr. Dennis Studer, Director of Employee Benefits, gave a brief overview of the division. There are 16 FTE that work in the areas of health, life, and flexible benefits and workers' compensation. The risk pool manager is also included in the division for a total of 17 FTE. The new communications theme of "Learn – Act – Thrive" has been implemented to help employees gain a better understanding of their benefits and to live longer and more productive lives.

Workers' Compensation – The workers' compensation program is legislative by SDCL Title 62 and ARSD 47:03. It pays medical, disability and death benefits for work-related injuries and diseases. It is available to all state employees, i.e. full-time, part-time, seasonal, work study, summer interns, and volunteers. The program receives 1,700 first reports of injury per year, has paid \$3.6 million in claims per year, and manages 800 cases. In FY08, \$2.8 million was paid in claims for former employees; permanent employees were paid \$1 million in indemnity benefits; and \$93,000 was paid in death benefits.

Health, Life, and Flexible Benefits – The state employee health plan is legislated by SDCL 3-12A which established group health and dental insurance plans. The following federal laws also mandate certain benefits: ERISA, COBRA, HIPAA, NMHPA, WHCRA, MHPA, GINA, COBRA Subsidy, and IRS. There are 24,860 employees, retirees, COBRA, and dependents covered under the health benefits. The average age for a plan member is 35.12 and for an employee is 46.37. A map entitled "Benefited Employees and Dependents by Location" was distributed and reviewed (**Document 7**). The health benefit is self funded – no commercial insurance is purchased by the State.

Ms. Mary Weischedel, Assistant Director of Employee Benefits, explained the process of the annual enrollment and the various plan choices available. A benefit explanation for the three health plan options was distributed (**Document 8**). Voluntary benefits offered by the State include dental, vision, supplemental life, hospital indemnity plan, major injury protection, short term disability income protection plan and flexible benefits under Section 125 for medical expenses and dependent daycare spending accounts. More detailed information regarding benefits and dependent coverage costs is available at the BOP's website www.bop.com.

For the first eleven months of FY09 and estimating for the last month, 175 members had claims for \$20,079,331 – as much as was paid out for 22,850 other claimants. Studies have shown the older the group, the higher the average claim. BOP tries to manage costs thru contract negotiations with service partners and providers, wellness program, utilization review and case management, and the competitive bid process. Costs not controlled by the State are increasing inflation, costs of new medical treatments, cost of specialty drugs, costs of hospital stays, and utilization.

Representative Wismer asked if the dependent's share of the cost for health insurance paid for itself. Commissioner Zinter stated that it does not support itself. In 1992 the State tried to raise the dependent rate to be self supporting; however, they lost the majority of healthy dependents because dependent coverage could be purchased elsewhere cheaper. The employee rate covers some of the underwriting for the dependent. BOP will provide the percentage to the committee at the next meeting.

Committee Discussion/Topics for Future Meetings Next Meeting Date

An overview of the risk pool and BOP's budget was continued to the next meeting.

Committee members were asked to forward any topics, questions or issues for future meetings to Chair Tiedemann or LRC staff.

Senator Hundstad asked that the rule-making authority of BOP be reviewed along with any changes to statutes.

Following a brief discussion of dates for the second and third meetings, Chair Tidemann set the next meeting for Thursday, July 9, 2009. Staff was instructed to survey the committee for possible dates in August for the third meeting. (Note – Following adjournment of the meeting, Chair Tidemann changed the date for the second meeting to Monday, August 24, 2009.)

Adjournment

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

The meeting adjourned at 4:18 p.m.

