



## Subcommittee on Employee Relations Legislative Coordinating Commission

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Representative Steve Drazkowski, Secretary  
Representative Debra Hilstrom  
Representative Joyce Peppin  
Representative Ryan Winkler

**DATE:** February 12, 2014

**TO:** Members of the Subcommittee

**FROM:** Greg Hubinger

**RE:** Contract summaries

This memo summarizes two collective bargaining agreements, a compensation plan, and proposed salary changes for three state agency heads.

### Minnesota Government Engineering Council contract

MMB has reached a tentative settlement with the Minnesota Government Engineering Council (MGEC), which represents 968 engineers, primarily employed in the Department of Transportation. The tentative agreement is available at:

<http://www.ser.leg.mn/contracts/14-15/Draft14-15MGEC.pdf>

### Financial provisions

1. 3% across the board increases effective July 1, 2013 and July 1, 2014.
2. Step increases in each year for engineers who are eligible. Step increases represent approximately a 3.9% increase. About 35% of engineers are below the maximum of their salary ranges and are eligible to receive these increases.
3. Similar to other contracts, increase the maximum meal expense reimbursement amounts:

	Current	1/1/14
Breakfast	\$7	\$9
Lunch	\$9	\$11
Dinner	\$15	\$16

In 22 specified metropolitan areas (outside Minnesota) reimbursement amounts are increased:

	Current	1/1/14
Breakfast	\$8	\$11
Lunch	\$10	\$13
Dinner	\$17	\$20

4. Establish a salary differential for engineers in the MnDOT Radio Operations Center whose shifts begins before 6 A.M. or ends after 7P.M. The differential is 65¢ per hour (comparable to differentials in other contracts).

#### **Other provisions**

5. Engineers continue to be eligible for achievement awards. These awards consist of either a step increase or a lump sum of up to \$1,600. Up to 35% of employees can receive one of these awards.
6. Continue the employer contribution to each employee's deferred compensation account at \$300 per year. Continue permitting engineers to convert up to 40 hours of compensatory time to deferred compensation.
7. Implement the State Employee Group Insurance Program as provided in the other contracts.
8. Continue to permit engineers employed by MnSCU to use the tuition waiver program (as provided in other contracts).

#### **Settlement Cost Sheet**

MMB estimates that the cost of the increases (across the board increases, steps, insurance, FICA, retirement contributions, and meals) provided in this agreement will be 4.57% this biennium. The cost of these increases will add 6.48% to the next biennium's base. (This figure captures the tails – those obligations made during this biennium whose full costs are not realized until the next biennium.)

#### **State Residential Schools Education Association Contract**

The State Residential Schools Education Association (SRSEA) includes approximately 188 teachers employed at the Minnesota Academies for the Deaf and Blind, the Perpich Center for Arts Education, the Department of Human Services, and the Department of Corrections. A copy of this contract, in legislative format reflecting changes, can be found at:

<http://www.ser.leg.mn/contracts/14-15/Draft14-15SRSEA.pdf>

#### **Financial provisions:**

1. 3% across the board increases effective July 1, 2013 and July 1, 2014.
2. Step increases in each year for teachers who are eligible. Step increases represent approximately a 3.4% increase. About 62% of these employees are at the maximum of their salary ranges and do not receive these increases. Continue provision of lane changes when a teacher submits documentation of advanced training.

3. Increase the maximum meal expense reimbursement amounts, similar to other contracts.

**Other provisions:**

4. Continue the employer's matching contribution to the employee's deferred compensation account at \$100 per year.
5. Continue the state's \$400 per year contribution to the employee's Health Care Savings Account.
6. Continue the early retirement incentive for teachers covered under the Correctional Retirement Plan. These teachers who retire before age 55 receive a fixed percentage of the employer contribution for health insurance until age 65. For teachers who retire at or after age 55 and who meet specified service requirements, the employer contribution is equal to the employer contribution for insurance for active employees. This benefit is provided until the teacher is age 65.
7. Continue the Awards for Excellence in Education program, which provides lump sum payments of between \$500 and \$3,000 for teachers who receive specific awards (e.g., Teacher National Certification, NEA Teacher of the Year).
8. Implement the State Employee Group Insurance Program as provided in the other contracts.

**Settlement Cost Sheet**

MMB estimates that the cost of the increases (across the board increases, steps, insurance, FICA, retirement contributions, and meals) provided in the State Residential Schools Association agreement will be 3.35% this biennium. The cost of these increases will add 4.09% to the next biennium's base. (This figure captures the tails – those obligations made during this biennium whose full costs are not realized until the next biennium.)

**Office of Higher Education Unclassified Personnel Compensation Plan**

The Office of Higher Education (OHE) has submitted its compensation plan for its unrepresented employees. This plan defines terms and conditions of employment for approximately 45 employees. A copy of the proposed plan is at: <http://www.ser.leg.mn/contracts/14-15/Draft14-15OHEPlan.pdf>

**Financial Provisions**

1. 3.0% increases effective July 1, 2013 and July 1, 2014 for employees who meet performance standards.
2. Performance-based increases effective January 1, 2014 and December 31, 2014, and then each January thereafter. Employees may receive these performance-based increases of up to 3.5% each calendar year. The employee's salary may not exceed the maximum of their salary range. Approximately 88% of employees are eligible for these increases. However, the Appointing Authority may eliminate or delay the implementation of these increases, or reduce the salary limit (i.e., below the 3.5% limit).
3. Incorporate by reference to the Managerial Plan provisions relating to:
  - a. Increased meal reimbursement expense limits effective January 1, 2014.
  - b. An allowance for mobile devices, as approved by the Appointing Authority.

### **Other provisions**

4. Continue to provide achievement awards, which consist of a lump sum of up to \$2,000. These are awarded to employees who demonstrate outstanding performance. Up to 20% of the employees may receive such an award.
5. Continue making a matching contribution of \$300 per year to the employee's deferred compensation account. In addition, employees are permitted to convert up to 40 or 50 hours (depending on the level of the position) of vacation leave to deferred compensation.
6. Continue the employee contribution of 1% of salary to the Health Care Savings Plan.
7. Implement the State Employee Group Insurance Program as provided in the other contracts.

### **Minnesota Management and Budget review**

MMB is required to review and approve OHE's proposed plan. The Department confirmed that the terms and conditions of employment for employees covered by the Office of Higher Education Unclassified Personnel Compensation Plan are within the limits of compensation plans that have been approved by the Commissioner of Minnesota Management & Budget.

### **Settlement Cost Sheet**

MMB estimates that the cost of the increases (across the board, steps, insurance, FICA, retirement contributions) provided in this plan will be 6.67% this biennium. The cost of these increases will add 10.68% to the next biennium's base. (This figure captures the tails – those obligations made during this biennium whose full costs are not realized until the next biennium.)

### **Pension fund director salaries**

The boards of the three state-wide pension funds are proposing to increase the salaries of their respective directors. State law was changed in the 2013 session to permit the governor to set the salaries of agency heads appointed by the governor anywhere within the approved salary range. However, agency heads appointed by someone other than the governor (including the pension funds), must request approval of salary increases from the Subcommittee, which must be ultimately ratified by the legislature. The Subcommittee may accept, modify, or reject the proposed salary changes.

The three pension funds' proposals are available at:

PERA: <http://www.ser.leg.mn/contracts/14-15/PERAdirectorsalaryproposal01172014.pdf>

TRA: <http://www.ser.leg.mn/contracts/14-15/TRAdirectorsalaryproposal01162014.pdf>

MSRS: <http://www.ser.leg.mn/contracts/14-15/MSRSdirectorsalaryproposal01162014.pdf>

The three salaries were last changed in 2008, and are currently all at the same level of \$114,288. The three funds propose slightly different retroactive increases, but each proposes a salary of \$132,480 effective July 1, 2014. This new salary level represents a total increase of 15.9%. The salaries of heads of agencies appointed by the governor had not changed since 2000, when those salaries were set at \$108,393. Effective January 1, 2013 and 2014, the governor has implemented two 5%

increases, resulting in an increase of approximately 10%, to \$119,517. A copy of agency head salary history is attached.

The proposed salaries by each fund are:

	7/2008 Current	1/2/2013	7/1/2013	1/1/2014	7/1/2014
Minnesota State Retirement System	\$114,288	\$120,652	\$124,272	\$128,621	\$132,480
Public Employees Retirement Association	\$114,288	\$121,200		\$128,621	\$132,480
Teachers Retirement Association	\$114,288	\$120,652	\$124,272	\$128,621	\$132,480

MMB is currently conducting a compensation study, required in the same legislation, of all managerial positions in the executive branch, with the goal of better aligning them with comparable positions in the private sector and other relevant public sector employers. The study encompasses heads of state agencies, and includes the three pension fund directors.

The three pension funds contracted for a market analysis on their own. The McLagan firm, which has prepared similar evaluations for the Minnesota pension funds in the past, found that the median salary for a pension fund of comparable size (adjusted to 2013) is \$185,600. A copy of the McLagan study was included in each of the three funds' proposals.

The three funds collaborated to conduct their own evaluation of directors' salaries. That evaluation found that the average salary for comparable funds was \$130,728 and \$142,115 in the Midwest. That data is also included in their requests.

Appointing authorities are required to provide information regarding the director's performance, and in meeting the agency's affirmative action goals. Each of the pension funds provided this information.

When proposing salary changes, appointing authorities are required to consult with Minnesota Management and Budget. MMB's response is as follows:

"MMB does not recommend the increases as proposed by the pension boards and does not support removing them from future legislative review. Changes in the state's compensation structure are underway and while some increase may be appropriate, we do not think that this level of change or process is appropriate at this time.

The pension fund director positions are included in the compensation market study that MMB is currently conducting through outside consultants. At this point in the process we do not have enough information to make determinations on the market impacts of specific jobs in order to appropriately place positions in a pay structure according to market, internal equity and the complexity of the positions. Other related information to these positions:

- The executive director positions proposals tie their salaries to the increases in the managerial plan although the salaries are not set by the managerial plan;
- These positions have received increases in the past that commissioners did not;
- The proposed changes would raise the salaries of the pension executive directors above all state commissioners with the exception of the DHS commissioner.
- Lastly, we believe there should continue to be oversight for executive pay decisions made by the Pension Boards.”

Please let me know if you have any questions.

Attachments: FY 14-15 Settlement sheet  
Agency head salaries

# STATE EMPLOYEE SALARY SETTLEMENTS

## FY 14-15 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

January 23, 2014

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO NEXT BIENNIUM (3)	\$ IMPACT ON NEXT BIENNIUM
	7/1/2013	1/1/2014	7/1/2014	1/2/2014					
AFSCME, Council 5	3.00%		3.00%		\$1,695,445,000	\$75,743,000	4.47%	6.37%	\$107,999,847
AFSCME, Unit 8, Correctional Guards	3.00%		3.00%		\$274,922,000	\$10,640,000	3.87%	5.25%	\$14,433,405
AFSCME, Unit 25, Radio Communications Oper	3.00%		3.00%		\$7,317,000	\$398,000	5.44%	7.37%	\$539,263
MN Association of Professional Employees	3.00%		3.00%		\$2,128,007,000	\$101,239,000	4.76%	6.87%	\$146,194,081
Middle Management Association	3.00%		3.00%		\$571,882,000	\$26,448,000	4.62%	6.56%	\$37,515,459
<b>MN Government Engineering Council</b>	3.00%		3.00%		\$186,379,000	\$8,519,000	4.57%	6.48%	\$12,077,359
Minnesota Nurses Association									
MN Law Enforcement Association									
<b>State Residential Schools Education Assoc</b>	3.00%		3.00%		\$34,116,000	\$1,142,000	3.35%	4.09%	\$1,395,344
State University Inter Faculty Organization									
MN State University Assoc of Admin & Service Faculty									
Minnesota State College Faculty (6)									
Personnel Plan for MnSCU administrators									
Personnel Plan for St Bd of Invest employees									
<b>Office of Higher Education Plan</b>	3.00%		3.00%		\$7,301,000	\$488,000	6.68%	10.68%	\$779,747
Managerial Plan	3.00%		3.00%		\$321,726,000	\$16,993,000	5.28%	7.65%	\$24,612,039
Commissioners Plan (4)	3.00%		3.00%		\$203,555,000	\$11,138,000	5.47%	8.16%	\$16,610,088
Office of Legislative Auditor									
MnSure Compensation Plan									
<b>TOTAL</b>					<b>\$5,430,650,000</b>	<b>\$252,748,000</b>	<b>4.65%</b>	<b>6.67%</b>	<b>\$ 362,156,632</b>

The ">" indicates proposed contract or plan not yet acted on by the Subcommittee.

- (1) Includes all funds, including higher education agencies. Includes across the board salary increases, steps, FICA, insurance & pension.
- (2) Percent of new money needed over base.
- (3) This percentage reflects the annualized cost of the increases granted during the biennium.  
This figure depicts all of the costs of the contract, including "tails."
- (4) Groups within plan follow lead of comparable bargaining units.

