



Subcommittee on Employee Relations

Legislative Coordinating Commission

72 State Office Building
Phone: (651) 296-9002

St. Paul, MN 55155
TDD (651) 296-9896

www.ser.leg.mn
Fax: 651-297-3697

Date: September 12, 2017

To: Members of the Subcommittee

From: Greg Hubinger

Re: State employee contracts and plans summary

Background

Minnesota Management and Budget (MMB) has reached tentative settlements with:

- American Federation of State, County, and Municipal Employees, Council 5 (AFSCME)
- Minnesota Association of Professional Employees (MAPE)

These contracts and plans are for the FY 18-19 biennium and are effective July 1, 2017.

This memo includes a description of the major provisions of each contract and plan, and a summary of the financial implications. Links to the actual contracts and plans, in legislative format, are available in the summary for each contract and plan. Changes to the State Employee Group Insurance Plan (the core health insurance program for state employees) are included as part of these contracts and plans.

Insurance Benefits

The health, dental, life, and disability benefits provisions are initially bargained through a coalition that includes exclusive representatives from all of the state's unions. Final bargaining is completed between the state and the exclusive representatives for AFSCME and MAPE. As a result, the insurance provisions themselves are generally consistent from contract to contract. However, some minimal changes for financial and benefit issues (like eligibility and modifications to state contributions) may be bargained from contract to contract.

The Legislature reviews proposed changes to benefits provisions as part of its overall review of proposed collective bargaining agreements. Because benefits are a term and condition of employment bargained in these agreements, the Legislature does not separately review the benefits program.

The insurance provisions also generally become part of the Legislative Plan for Employee Benefits, so that they apply to members and staff. Changes to the Legislative Plan, including

any changes to insurance provisions must be approved by the Legislative Coordinating Commission before becoming effective.

Insurance changes become effective January 1, 2018.

MMB and the employee representatives negotiated the following with regard to insurance:

- No changes to the underlying medical plan design, apart from eliminating co-pays for in-network convenience clinics and for online care.
- First dollar deductibles, office and prescription co-pays and co-insurance increase are unchanged.
- Incorporate statutory requirement to permit employees to opt out of coverage, if they provide other proof of coverage.
- Other changes include:
 - Increase minimum employee contribution for dental coverage from \$5.00 to \$13.50 per month.
 - Add coverage for dental implants at same coverage levels as other services.
 - Eliminate co-pays for dental sealants.
 - Expand orthodontia dental benefits to all members.
 - Increase coverage for dental benefits that were previously at 50% in-network to 80% in-network.
 - Increase dental maximum annual coverage from \$1,500 to \$2,000.
 - Permit employees who move from temporary to permanent positions to enroll in short and long term disability coverage without evidence of insurability.
- Agree to implement a value-based insurance design pilot program for employees with chronic health conditions, which will initially focus on diabetes.

Premiums are planned to increase by approximately 2.86% in CY 18. Increases for CY 19 will be established in mid-2018 based on actual and estimated cost trends. (Premiums are determined by MMB, and are not negotiated.)

AFSCME Council 5 Contract

The tentative settlement with the American Federation of State, County, and Municipal Employees (AFSCME Council 5) covers approximately 14,650 employees in five bargaining units:

- Clerical and Office (Unit 6)
- Technical (Unit 7)
- Health Care Non-professionals (Unit 4)
- Craft, Maintenance and Labor (Unit 2)
- Service (Unit 3)

The contract, in legislative format, is available at:

<http://www.ser.leg.mn/contracts/18-19/AFSCME-18-19-Draft-TA-9-1-17.pdf>

Financial provisions:

1. 2.0% across the board increases effective July 1, 2017.
2. 2.25% across the board increases effective July 1, 2018.
3. Step increases in each year for employees who are eligible. Step increases represent approximately a 2.7% increase. About half of employees are below the maximum of their salary ranges and receive these increases.

Non-financial provisions

4. Incorporate provisions for paid parenting leave (agreed to as a memorandum of understanding in the previous biennium):
 - Six weeks of paid leave, if eligible under FMLA.
 - Employee must have worked at least 1,250 hours.
 - Leave can be used when employee or spouse give birth, for adoption, or placement to adjudicate parentage in cases of surrogacy.
 - Leave must be completed within 6 months, although Appointing Authority may extend that to 12 months.
5. For Human Service Technicians:
 - Effective July 1, 2018, Human Services Technicians are eligible for steps every six months.
 - At Appointing Authority's discretion, provide bonus of \$50 for voluntary weekend shift, or for working on a scheduled day off, for Human Service Technicians and Licensed Practical Nurses.
 - At various state facilities, provide recruitment incentives up to \$1,500 and referral incentives up to \$500.
6. For various specified agencies, permit Achievement Awards (similar to those offered by other agencies and other collective bargaining agreements):
 - At Appointing Authority discretion, permit awards up to \$1,000 or a one-step increase to employees who have demonstrated outstanding performance.
 - Awards cannot be provided to more than 35% of the employees in the bargaining unit.
7. In disciplinary provisions, clarify that letters of expectations are not an element of discipline.
8. The number of hours employees receive for injured on duty pay increased from 240 to 300 hours.

Other provisions continue unchanged for employees to:

9. Receive ten holidays and one floating holiday per year.
10. Receive thirteen days of paid sick leave per year.
11. Earn between 13 (entry level) and 29 (with 30 years of service) days of vacation leave per year, depending on length of service.
12. Receive a state match to an employee's contribution to a deferred compensation account, to a maximum of \$175 per year.
13. Receive a shift differential of \$0.65 per hour for shifts scheduled to begin before 6 AM or end after 7 PM.

Pay equity

Minnesota Management and Budget is required by Minnesota Statutes 43A.05 to report any employee classes that it has found to have inequities in compensation. The December 2016 report by the Department identified no female-dominated classes in bargaining units represented by AFSCME.

Separately, the proposed agreement provides for an equity adjustment of the dental hygienist class, increasing the salaries for this group by one range.

Settlement cost sheet

MMB estimates that the cost of the increases (across the board increases, steps, insurance, FICA, retirement contributions) provided in the AFSCME Council 5 contract will be 3.04% this biennium. The cost of these increases will add 4.51% 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.) For purposes of comparison, these costs are summarized in a settlement tracking sheet that is attached.

In order to provide another point of comparison, also attached is the settlement sheet for the previous biennium.

MAPE Contract

The Minnesota Association of Professional Employees (MAPE) represents approximately 14,350 employees. A copy of the contract is available at:

<http://www.ser.leg.mn/contracts/18-19/MAPE-18-19-Draft-TA-9-1-17.pdf>

Financial provisions:

1. 2.0% across the board increases effective July 1, 2017.
2. 2.25% across the board increases effective July 1, 2018.
3. Step increases in each year for employees who are eligible. Step increases represent approximately a 3.6% increase. About 57% of these employees are eligible to receive these step increases.
4. Increase the employer match for deferred compensation from the current level of \$100 per year to \$200.

Non-financial provisions:

5. Incorporate provisions for paid parenting leave (agreed to as a memorandum of understanding in the previous biennium):
 - Six weeks of paid leave, if eligible under FMLA.
 - Employee must have worked at least 1,250 hours.
 - Leave can be used when employee or spouse give birth, for adoption, or placement to adjudicate parentage in cases of surrogacy.
 - Leave must be completed within 6 months, although Appointing Authority may extend that to 12 months.

6. Establish a pilot phased retirement program in selected agencies (most major agencies):
 - For full-time employees who are at least 55 years old, with at least 10 years of service.
 - Must be mutually agreed to by the employee and the Appointing Authority.
 - The phased retirement can be up to three months, and with mutual agreement, extended to six months.
 - The work schedule must be at least 50% time.
 - The employee received benefits, including insurance and retirement, as if the employee were employed full time.
7. Clarify use of sick leave for bereavement purposes to include bereavement for domestic partners.
8. Establish a pilot Suspension-Vacation Leave Reduction Program. Permit an Appointing Authority to reduce vacation leave in lieu of suspension where the Appointing Authority determines the employee's attendance at work may assist in correcting the performance issue. The suspension may not exceed three days, and the employee must have at least 50 hours of vacation leave.
9. For the Department of Human Services, for selected employee classes (e.g., psychologists, social workers, and rehabilitation counselors) provide various incentives. The incentives are limited to this contract period.
 - a. Retention
 - For employees who have been at the maximum of their salary ranges for six months or more.
 - Employees may receive a lump sum, not added to the salary base, of \$2,500.
 - The employee must have a performance rating of satisfactory or better.
 - The incentives may be paid once a year.
 - b. Recruitment
 - For newly hired employees.
 - Up to \$2,500.
 - The incentive is paid in installment of half at appointment and half at the one year anniversary of continuous employment.
 - c. Referral
 - For current employees who make the first referral of a candidate who is appointed and serves at least through their probationary period.
 - The incentive equals \$500.
 - d. Student loan reimbursements
 - The employee must have been employed for at least one year, and be anticipated to work at least half-time.
 - The employee must have current student loan debt incurred within fifteen years.
 - Loan reimbursement payments may not exceed \$5,000 per calendar year, and \$25,000 total.
 - Employees who leave sooner than one year after receiving a reimbursement must repay the reimbursement.

10. For the Department of Revenue:

- Increase the number of employee classes eligible for lump sum payments upon completion of the CPA or equivalent exams.
- Agree to meet and discuss development and implementation of a student loan reimbursement program.

Other provisions continue unchanged for employees to:

11. Receive ten holidays and one floating holiday per year.
12. Receive thirteen days of paid sick leave per year.
13. Earn between 13 (entry level) and 29 (30 years of service) days of vacation leave per year, depending on length of service.
14. Receive severance if they meet eligibility criteria (based on length of service and eligibility for retirement benefits).
15. Employees continue to be eligible for achievement awards. These awards recognize achievement for outstanding performance. The award consists of a lump sum of up to \$1,000 or a step increase. They can be granted to a maximum of 35% of the employees in an agency.
16. Maintain supplemental agreements with many agencies with provisions that apply to agency specific needs.

Pay equity

MMB is required by Minnesota Statutes 43A.05 to report any employee classes that it has found to have inequities in compensation. The December 2016 report by the Department identified no female-dominated classes in bargaining units represented by MAPE.

Settlement cost sheet

MMB estimates that the cost of the increases (across the board increases, steps, insurance, FICA, retirement contributions) provided in the MAPE contract will be 3.87% this biennium. The cost of these increases will add 5.84% 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.) These costs are included in the settlement tracking sheet.

Attachments: FY 18-19 settlement sheet
FY 16-17 settlement sheet
MMB cost data

STATE EMPLOYEE SALARY SETTLEMENTS

FY 18-19 ESTIMATED COSTS

LCC Subcommittee on Employee Relations
September 8, 2017

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO NEXT BIENNIUM BIENNIUM (3)	\$ IMPACT ON NEXT BIENNIUM
	7/1/2017	1/1/2018	7/1/2018	1/1/2019					
AFSCME, Council 5	2.00%		2.25%		\$1,974,265,786	\$60,025,862	3.04%	4.51%	\$89,039,387
AFSCME, Unit 8, Correctional Guards									
AFSCME, Unit 25, Radio Communications Oper									
MN Association of Professional Employees	2.00%		2.25%		\$2,738,433,672	\$105,887,851	3.87%	5.84%	\$159,924,526
Middle Management Association									
MN Government Engineering Council (5)									
Minnesota Nurses Association									
MN Law Enforcement Association									
State Residential Schools Education Assoc									
Service Employees International Union (6)					\$884,559,652	\$20,411,000			
State University Inter Faculty Organization									
MN State University Assoc of Admin & Service Faculty									
Minnesota State College Faculty									
Personnel Plan for MnSCU administrators									
Personnel Plan for St Bd of Invest employees									
Office of Higher Education Plan									
Managerial Plan									
Commissioners Plan (4)									
Office of Legislative Auditor									
MnSure Compensation Plan									
TOTAL					\$5,597,259,110	\$186,324,713	3.33%	4.45%	\$ 248,963,913

The ">" indicates proposed contract or plan not yet acted on by the Subcommittee.
The "***" indicates the proposed contract or plan has not been ratified by the Legislature

- (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.
- (5) The arbitration award provided 3.5% across the board increases each year for engineers in the 3 highest classes
- (6) Includes federal and state funds. Does not include funds for administration, grants and training.

STATE EMPLOYEE SALARY SETTLEMENTS

FY 16-17 ESTIMATED COSTS

LCC Subcommittee on Employee Relations
April 3, 2017

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO NEXT BIENNIUM BIENNIUM (3)	\$ IMPACT ON NEXT BIENNIUM
	7/1/2015	1/1/2016	7/1/2016	1/1/2017					
AFSCME, Council 5	2.50%		2.50%		\$1,816,059,000	\$90,145,000	4.96%	8.39%	\$152,367,350
AFSCME, Unit 8, Correctional Guards	2.50%		2.50%		\$294,490,000	\$9,636,000	3.27%	4.94%	\$14,547,806
AFSCME, Unit 25, Radio Communications Oper	2.50%		2.50%		\$8,476,000	\$423,000	4.99%	8.37%	\$709,441
MN Association of Professional Employees	2.50%		2.50%		\$2,399,809,000	\$121,437,000	5.06%	8.45%	\$202,783,861
Middle Management Association	2.50%		2.50%		\$623,882,000	\$26,968,000	4.32%	6.94%	\$43,297,411
MN Government Engineering Council (5)	2.50%		2.50%		\$203,259,000	\$10,105,000	4.97%	7.83%	\$15,915,180
Minnesota Nurses Association	2.50%		2.50%		\$160,981,000	\$9,018,000	5.60%	9.52%	\$15,325,391
MN Law Enforcement Association	2.50%		2.50%		\$148,932,000	\$6,419,000	4.31%	6.85%	\$10,201,842
State Residential Schools Education Assoc	2.50%		2.50%		\$30,861,000	\$1,900,000	6.16%	10.73%	\$3,311,385
Service Employees International Union					\$936,416,185	\$16,200,000	1.73%		
State University Inter Faculty Organization	2.20%		1.00%		\$579,853,722	\$23,378,059	4.03%	6.29%	\$36,472,799
MN State University Assoc of Admin & Service Facult	1.50%		1.10%		\$127,771,687	\$4,259,614	3.33%	5.72%	\$7,308,540
Minnesota State College Faculty				1.25%	\$791,786,418	\$30,033,409	3.79%	6.42%	\$50,832,688
Personnel Plan for MnSCU administrators					\$178,926,025	\$5,872,462	3.28%	4.84%	\$8,660,020
Personnel Plan for St Bd of Invest employees					\$3,305,402	\$249,124	7.54%		
Office of Higher Education Plan	2.50%		2.50%		\$6,849,000	\$423,000	6.18%	10.54%	\$721,885
Managerial Plan	2.50%		2.50%		\$366,422,000	\$16,463,000	4.49%	7.04%	\$25,796,109
Commissioners Plan (4)	2.50%		2.50%		\$226,847,000	\$6,923,000	3.05%	4.19%	\$9,504,889
Office of Legislative Auditor					\$9,992,128				
MnSure Compensation Plan					\$5,928,584				
Paid Parental Leave (all contracts & plans)						\$3,000,000			\$ 3,000,000
TOTAL					\$8,920,847,151	\$382,852,668	4.29%	6.73%	\$ 600,756,597

The ">" indicates proposed contract or plan not yet acted on by the Subcommittee.
The "*" indicates the proposed contract or plan has not been ratified by the Legislature

- (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.
- (5) The arbitration award provided 3.5% across the board increases each year for engineers in the 3 highest classes



**Bargaining Agreements and Unrepresented Employee Plans
FY2018-FY2019**

August 31, 2017

Bargaining Units & Plans	# of Full-time Employees	# of Part-time Employees	Total Employees	Average Annual Salary	Percent of Employees at Range Maximum	Average Step Size	FY2018 General Salary Increase	FY2019 General Salary Increase	Employer Match to Deferred Compensation/ Fiscal Year	Employer Contribution to MSRS Pension Plan July 1, 2017	CY2018	CY2018	CY2018	CY2018	CY2019	CY2019	CY2019	CY2019
											Annual Employee Contribution for Employee Only Health Insurance	Annual Employer Contribution for Employee Only Health Insurance	Annual Employee Contribution for Family Health Insurance	Annual Employer Contribution for Family Health Insurance	Annual Employee Contribution for Employee Only Health Insurance	Annual Employer Contribution for Employee Only Health Insurance	Annual Employee Contribution for Family Health Insurance	Annual Employer Contribution for Family Health Insurance
AFSCME 2,3,4,6,7	11,514	3,139	14,653	\$45,163	48.2%	2.72%	2.00%	2.25%	\$175	5.50%	\$378	\$7,191	\$2,582	\$19,678	\$389	\$7,396	\$2,656	\$20,238
MAPE	13,738	616	14,354	\$66,941	42.7%	3.58%	2.00%	2.25%	\$200	5.50%	\$378	\$7,191	\$2,582	\$19,681	\$389	\$7,396	\$2,656	\$20,238

Employees represented by AFSCME and MAPE whose salaries are below their salary range maximum rate are eligible for performance-based salary increases on their anniversary date each fiscal year.

It should be noted that the benefits numbers for 2019 are projections. The actual benefits numbers will not be finalized until August 2018.

Bargaining Units & Plans	Covered Employees
AFSCME 2,3,4,6,7	Labor, Service, Health Care Non-Professional, Office Clerical, and Technical Employees
MAPE	Minnesota Association of Professional Employees