

Subcommittee on Employee Relations Legislative Coordinating Commission



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72 State Office Building
St. Paul, MN 55155-1201
Telephone (651) 296-2963
or (651) 296-9002
Fax (651) 297-3697
www.ser.leg.mn

Greg Hubinger, Director
Sally Kidd, Commission Asst.

DATE: June 26, 2009
TO: Members of the Subcommittee
FROM: Greg Hubinger
RE: June 29th meeting materials: Compensation plans

Background

This memo summarizes compensation plans for certain employees in the Executive Branch. Compensation plans define the terms and conditions of employees who are not represented by a union. These plans are established by Minnesota Management and Budget (MMB) for unrepresented employees in various state agencies, and by certain agencies for their unrepresented employees. These proposed plans are for the FY 10-11 biennium.

Unlike collective bargaining agreements, which are negotiated, these compensation plans are developed by MMB and other agencies. Under the Subcommittee's statute, the Subcommittee can approve, reject or make modifications to these plans. Collective bargaining agreements can only be accepted or rejected by the Subcommittee.

Office of Higher Education 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.commissions.leg.state.mn.us/lcer/OHE2009.pdf>

Financial Provisions

1. No across the board increases in either year.
2. No step increases in the first year. In the second year, employees who meet performance standards may receive a salary increase averaging 3.5%. Employees who are at or above the maximum of their salary range do not receive this increase (approximately 88% are eligible).

Other provisions continue:

3. 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.
4. Continue making a matching contribution of \$300 per year to the employee's deferred compensation account. Alternatively, employees are permitted to convert up to 40 or 50 hours (depending on the level of the position) of vacation leave to deferred compensation.

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 (steps, insurance, FICA, retirement contributions) provided in this plan will be 0.86% this biennium. The cost of these increases will add 2.7% 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.)

MMB points that \$26,000 of the cost of this agreement of \$81,000 for this biennium results from legislation that increases the employer (and employee) contributions for the MSRS General Plan for employees' retirement.

Personnel Plan for MnSCU Administrators

This plan establishes terms and conditions of employment for about 580 unrepresented managers in MnSCU. A copy of this proposed plan, in legislative format, is available at:

<http://www.commissions.leg.state.mn.us/lcer/MnSCU0911.pdf>

Financial provisions

1. No changes in salary range minimum and maximum rates.
2. No annual performance increases to base salaries of employees.
3. The Chancellor has indicated that he has indefinitely suspended the program providing exceptional performance awards (similar to Achievement Awards in other labor contracts).

Other provisions continue

4. Continue the matching employer contribution to the supplemental retirement account at \$2,700 per year;
5. Continue employer contribution of \$600 each year to the administrator's Health Reimbursement Account.
6. Continue allowing administrators to enroll in courses without payment of tuition or fees for up to 24 semester credit hours per fiscal year.

7. Continue early notice of separation incentive that provides for a payment equal to 5% of the administrator's final annual base salary if they give at least nine months notice of resignation or retirement.

Settlement cost sheet

MnSCU estimates that the cost of the increases (insurance, FICA, retirement contributions) provided in this plan will be -0.1% this biennium. The cost of these increases will add 0.28% 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.)

Minnesota Management and Budget review

MMB is required to review and comment on MnSCU's proposed plan. The Department confirmed that the terms and conditions of employment for employees covered by this plan are within the limits of compensation plans that have been approved by the Commissioner of Minnesota Management & Budget.

Commissioner's Plan

The Commissioner's Plan establishes terms and conditions of employment for about 1,250 unrepresented employees including confidential staff, and employees who have severed from their bargaining units. A copy of this proposed plan, in legislative format, is available at: <http://www.commissions.leg.state.mn.us/lcer/commissionersplan0911.pdf>

Financial provisions:

1. No across the board increases in either year.
2. No performance-based increases in the first year, but provides them for employees who are eligible beginning January 1, 2011. Employees may receive increases averaging 3.5% (based on the aggregate of Commissioner Plan employee salaries in the agency). Only employees who are not at the maximum of their salary ranges are eligible (approximately 40 %.)

Other provisions continue:

3. Continue to require each employee to contribute 1% of their gross annual salary to their Health Care Savings Account, administered by the Minnesota State Retirement System.
4. Continue provision providing for an employer match of up to \$300 per year to a deferred compensation account.

Insurance

5. Implement the State Employee Group Insurance Program.
6. Provide for the employer offering a high deductible health plan as a voluntary alternative to the Minnesota Advantage Health Plan in CY 11.

MMB reports that the Commissioner's Plan addendum for Medical Specialists will be submitted to the Subcommittee at a later date.

Settlement cost sheet

MMB estimates that the cost of the increases (performance-based increases, insurance, FICA, retirement contributions) provided in this plan will be 0.67% this biennium. The cost of these increases will add 1.88% 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.)

Managerial Plan

The Managerial Plan establishes terms and conditions of employment for about 1,300 unrepresented managers including deputy and assistant commissioners, bureau heads and division directors. This plan also establishes insurance benefits for heads of state agencies. A copy of this proposed plan, in legislative format, is available at:

<http://www.commissions.leg.state.mn.us/lcer/managerialplan0911.pdf>

Financial provisions:

1. No across the board increases in either year.
2. No performance-based increases in the first year, but provides them for managers who are eligible beginning January 1, 2011. Managers may receive increases averaging 3.5% (based on the aggregate of managerial salaries in the agency). Only managers who are not at the maximum of their salary ranges or at the salary of their agency head are eligible (approximately 52 %).

Other provisions continue:

3. Continue to require each manager contribute 1% of their gross annual salary to their Health Care Savings Account.
4. Continue provision providing for an employer match of up to \$300 per year to a deferred compensation account. Employees can decide to accept this employer match, or convert up to 50 hours of vacation leave to deferred compensation.

Insurance

5. Implement the State Employee Group Insurance Program.
6. Provide for the employer offering a high deductible health plan as a voluntary alternative to the Minnesota Advantage Health Plan in CY 11.

Settlement cost sheet

MMB estimates that the cost of the increases (performance-based increases, insurance, FICA, retirement contributions) provided in this plan will be 0.61% this biennium. The cost of these increases will add 1.64% 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.)

Attachments: Settlement sheet

STATE EMPLOYEE SALARY SETTLEMENTS

FY 2010-2011 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

June 17, 2009

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	%	% INCREASE BIENNIUM TO BIENNIUM (3)
	7/1/2009	1/9/2010	7/1/2010	1/1/2011				
AFSCME, Council 5					\$1,669,501,000	\$12,043,000	0.72%	2.10%
AFSCME, Unit 8, Correctional Guards					\$275,162,000	\$3,967,000	1.44%	2.90%
AFSCME, Unit 25, Radio Communications Oper					\$8,214,000	\$59,000	0.72%	2.04%
MN Association of Professional Employees					\$1,941,467,000	\$14,457,000	0.74%	2.16%
Middle Management Association					\$533,960,000	\$3,267,000	0.61%	1.63%
MN Government Engineers Council								
Minnesota Nurses Association								
MN Law Enforcement Association								
State Residential Schools Education Assoc								
State University Inter Faculty Organization					\$538,947,621	\$919,859	0.2%	0.7%
MN State University Admin & Service Faculty					\$104,868,914	-\$730,998	-0.70%	-0.39%
Minnesota State College Faculty					\$721,095,764	-\$1,526,293	-0.2%	0.22%
Personnel Plan for MnSCU administrators					\$161,890,638	-\$169,407	-0.10%	0.28%
Personnel Plan for St Bd of Invest employees (5)								
Office of Higher Education Plan					\$9,327,000	\$80,000	0.86%	2.70%
Managerial Plan					\$302,043,000	\$1,839,000	0.61%	1.64%
Commissioners Plan (4)					\$204,641,000	\$1,368,000	0.67%	1.88%
Office of Legislative Auditor								
TOTAL					\$6,471,117,937	\$35,573,161	0.55%	1.49%

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

- (1) Includes all funds, including higher education agencies. Includes salaries, 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.