Subcommittee on Employee Relations
Legislative Coordinating Commission

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DATE: October 12, 2009

TO: Members of the Subcommittee

FROM: Greg Hubinger

RE: Background information

In a memo dated October 8, staff summarized two collective bargaining agreements the Subcommittee will consider at its October 19th meeting. This memo provides information about other items on the agenda.

Commissioner's Plan amendments

Minnesota Management and Budget (MMB) proposes two amendments to this plan, which was previously approved by the Subcommittee and ratified during the 2009 session.

1. **Reference to Legislative Auditor**. Legislation was passed during the 2008 session authorizing the Legislative Auditor to develop its own compensation plan. Previously, most employees were covered by either the Managerial Plan or the Commissioner's Plan. As a result, references to the Legislative Auditor were deleted from the two plans. However, the Legislative Auditor's Compensation Plan (since approved by the Subcommittee) only deals with compensation. Other terms of employment, including insurance, are intended to be covered by the Commissioner's Plan. As a result, a clarification is proposed to the Commissioner's Plan to indicate that terms and conditions of employment, other than compensation, are determined by this plan.
2. **Department of Human Services (DHS) No Lay-off provision**. During the late 1980s, DHS restructured the way it provided services from large institutions to smaller community-based settings. During this restructuring, incentives were offered to affected employees facing potential layoffs. The incentives included enhanced training opportunities, enhanced separation incentives, and normal separation with recall rights. Because the restructuring has been completed, MMB is proposing to delete this provision.

Unemployment Law Judges compensation

The 2009 Economic Development appropriations bill (chapter 78, Article 4, Section 79) requires the Commissioner of Finance, in consultation with the Deputy Commissioner of the Department of Employment and Economic Development, and the Chief Unemployment Law Judge, to determine the appropriate pay level for Unemployment Law judges. MMB received a proposal from DEED and the Chief UI Judge, and is presenting that proposal to the Subcommittee to consider, along with a lower cost option. The first proposal is one presented by DEED/UI, and the second proposal is a reduced cost version.

DEED/UI Proposal

The Deputy Commissioner of DEED and the Chief UI Judge argue an increase is warranted because:

- Workers Compensation judges and Unemployment Law judges both conduct due process hearings in accordance with legal requirements. Unemployment insurance hearings are generally shorter, with these judges hearing a higher volume of cases.
- While the parties in workers comp hearings are generally represented by counsel and those in UI hearings are not, UI judges have the additional duty of assisting unrepresented parties and taking an active role in questioning witnesses.
- In reviewing nearby states, they found that Iowa and Wisconsin pay comparable salaries to Unemployment and Workers Compensation judges.

The Deputy Commissioner of DEED and the Chief UI Judge propose establishing a two step salary range for UI judges, following the direction of the 2009 legislation. Step 1 would be 75% of a Workers Compensation judge, and step 2 would be 85% of a Workers Compensation judge ($85,871 and $97,320 respectively). Salaries of judges are currently in a range with a minimum of $49,569 and a maximum of $73,539. There are separate ranges in the Managerial Plan for the Chief Unemployment Law Judge and two supervisory judges. These three positions are unaffected by this proposal.

A copy of the DEED/UI proposal is available at:
http://www.commissions.leg.state.mn.us/lcer/UIDEED09.pdf

MMB Position

MMB staff reviewed the salaries paid to Unemployment Law judges and Workers Compensation judges and reached these conclusions:

- Turnover rates for Unemployment Law judges is low (three of 36 judges voluntarily resigned over a period of three years), indicating that retention of judges is high.
- In evaluating internal equity, MMB concludes that these judges are currently assigned to an appropriate salary range.
- Increasing the salaries of these judges would exacerbate the compression of salaries for higher level employees, largely because the salaries of state agency commissioners have not changed since 2000. The Commissioner and Deputy Commissioner of DEED are each paid $108,400.

- While Iowa and Wisconsin may pay more than Minnesota, Minnesota pays much higher than other states, including Nebraska, Colorado, Missouri and North and South Dakota.

Because the legislation directs the department to consider only the pay level provided to Workers' Compensation judges and the less formal nature of an unemployment insurance hearing, and therefore not to consider other factors typically considered in a range reassignment review, the department is presenting the DEED/UI proposal and a lower cost option, without endorsement.

Option 1. (DEED/UI proposal) Establish a two step range. The first step is set at 75% of the salary of a Workers Compensation judge, equal to $85,871. This step would be used for the 36 UI judges. Step 2 would be set at 85% of the salary of a Workers Compensation judge, equal to $97,320. This step would be limited to five supervisory or lead UI judges.

Option 2. Establish a two step range. The first step is set at 65% of the salary of a Workers Compensation judge, equal to $74,421. This step would be used for the 36 UI judges. Step 2 would be set at 75% of the salary of a Workers Compensation judge, equal to $85,871. This step would be limited to five supervisory or lead UI judges.

A copy of the MMB proposal is available at:
http://www.commissions.leg.state.mn.us/lcer/UIJudges09.pdf

Attached is a spreadsheet that compares these proposed options.

High deductible/health savings account

Legislation passed in 2008 (chapter 358, Article 4, section 1) requires MMB to offer a high deductible health plan through the Managerial and Commissioner's Compensation Plans. The option must be available beginning January 1, 2010.

As required, MMB is offering this option to state employees, which is described in an attached memo from Nathan Morocco, Manager of the Employee Insurance Division.

Performance pay for MnSCU presidents and other administrators

Minnesota Statutes 136F.40 authorizes MnSCU to enter into individual contracts with presidents of state colleges and universities, and the chancellor and vice-chancellors in the MnSCU system office. These contracts are governed by the MnSCU Administrators Compensation Plan, which is reviewed and approved by the Subcommittee.

A long standing provision in the Plan provides for these employment contracts to provide additional remuneration for these individuals, which is limited to 30% of the individual's salary. Benefits provided in this provision include:

- a monthly communication allowance
- a monthly travel allowance
- a monthly housing allowance (state university presidents only)
- performance pay for administrators meeting goals developed during the performance review process

The MnSCU Board has been committed to increasing performance based on achieving specific objectives. As a means to reward meeting those objectives, the board has authorized performance-based lump sums of between $3000 and $15,000 for presidents and vice-chancellors, and up to $50,000 for the chancellor.

The board approved payments for presidents and other administrators meeting their individual objectives earlier this fall. These objectives were developed in early FY 09, with an evaluation at the close of that fiscal year, and actual payments in early FY 10.

Attached is a list provided by MnSCU of typical factors used to create these incentives. Because the actual factors used for each president and administrator are developed through the performance appraisal process, they are not public under the Data Practices Act.

Attach: Staff comparison UI/DEED and MMB spreadsheet
MMB high deductible HSA plan description
MnSCU list of performance factors

Unemployment Law Judges

Salaries

October 13, 2009

Classification	Compensation Attorney (current class)	Workers Comp judge		UI/DEED proposal	MMB proposal
			% of workers comp judge	75%/85%	65%/75%
Range Minimum	$49,569		Step 1	$85,871	$74,421
Range Maximum	$73,539		Step 2	$97,320	$85,871
Specified salary		$114,494			

Notes:

1 DEED/UI proposes a grid with 2 steps (75%/85%) for all UI judges.

2 MMB presents a second option with 2 steps (65%/75%)

a. Most UI judges salaries are set at 65% of Workers Comp judges.

b. Supervisor/lead judges' (no more than 5) salaries are set at 75% of Workers Comp judges.

3 The SER is asked to select one option.

4 DEED/UI does not deal with the Chief UI Judge or the 2 supervisory judges in this proposal, Those salaries are set in different ranges.

5 MMB estimates the cost to implement these two proposals:

DEED/UI proposal: $788,000

MMB proposal: $353,000

MINNESOTA
Management
& Budget

RECEIVED SEP 16 2009

September 4, 2009

Greg Hubinger
House and Senate LCC
51 State Office Building
100 Rev Dr. Martin Luther King Jr. Blvd.
St. Paul, MN 55155

Dear Greg,

During the 2008 legislative session, the legislature passed a bill providing that the State Employee Group Insurance Program (SEGIP) offer a high deductible health plan (HDHP) to employees associated with the Commissioner or Managerial agreements. Beginning with the 2010 insurance year, employees in your organization will have the option to choose between the existing Minnesota Advantage Health Plan (Advantage) or a HDHP with an accompanying Healthcare Savings Account (HSA). That option will be called the Advantage Consumer Directed Health Plan (ACDHP)

The ACDHP and HSA and will be built on the existing Advantage platform with the benefit design as shown on the enclosed attachment. Each of the health plan administrators currently participating in Advantage will participate in ACDHP. Pharmacy benefits will be administered by Navitus Health Solutions, as they are for the Advantage Plan.

The cost to provide the ACDHP will be the same as Advantage, and the employer will contribute to premium on the same basis as it contributes to Advantage (e.g., 100% of single premium, 85% for dependent premium).

The employer will make an annual contribution to an HSA in the amount of $700 for those with single coverage and $1400 for those with family coverage during 2010. The contribution will be made on a pay period basis, and will be directed by MMB to the financial institution associated with the health plan administrator chosen by the employee. The amount may change in 2011.

For a full-time employee the monthly 2010 premiums and HSA costs for both plans are:

Plan	Single	Family
Advantage	**$447.28**	**$1315.34**
ACDHP	$388.96	$1198.68
HSA	$58.32	$116.66
ACDHP & HSA total	**$447.28**	**$1315.34**

When possible, employees will be permitted to contribute to the HSA via payroll deduction, but only to the financial institution associated with the health plan administrator. The State will pay any applicable HSA administrative fees (not including investment fees, if any).

While SEGIP will manage the program enrollment and communications, we ask that your organization manage any technical details related to your contracts or compensation plans. Any provision related to your compensation plan should reflect this eligibility.

If you have any questions, please contact Mary Regnier at 651/259-3723.

Very truly yours,

Nathan A Moracco

Nathan Moracco, Director
Employee Insurance Division

encl: ACDHP Design

ACDHP Design

2010 – 11 Benefit Provisions	Cost Level 1	Cost Level 2	Cost Level 3	Cost Level 4
Preventive Care Services	Plan Pays 100% of Covered Services			
Annual Deductible (single/family)	$1,500/$3,000			
Annual Out-of-Pocket Maximum (includes deductible)	$3,000/$6,000			
Office Visits*	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Convenience Clinics	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Emergency (emergency care received in a hospital emergency room)	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Inpatient Hospital	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Outpatient Surgery	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Hospice and Skilled Nursing Facility	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Prosthetics and Durable Medical Equipment; Lab, Pathology, and X-ray; MRI/CT Scans; Other (e.g., Ambulance, Home Health Care, Outpatient Hospital (non-surgical))	5% after deductible	10% after deductible	15% after deductible	25% after deductible
Prescription Drugs**	After deductible is met, $10 Tier 1 / $16 Tier 2 / $36 Tier 3			

*Office visits for illness/injury, for outpatient physical, occupational or speech therapy, and urgent care within the service area, including outpatient visits in a physician's office, chiropractic services, outpatient mental health and chemical dependency.

**30-day supply of Tier 1, Tier 2, or Tier 3 prescription drugs, including insulin; or a 3-cycle supply of oral contraceptives.

ARTICLE 4
HEALTH INSURANCE PURCHASING AND AFFORDABILITY REFORM

Section 1. Minnesota Statutes 2007 Supplement, section 43A.23, subdivision 1, is amended to read:

Subdivision 1. **General.** (a) The commissioner is authorized to request proposals or to negotiate and to enter into contracts with parties which in the judgment of the commissioner are best qualified to provide service to the benefit plans. Contracts entered into are not subject to the requirements of sections 16C.16 to 16C.19. The commissioner may negotiate premium rates and coverage. The commissioner shall consider the cost of the plans, conversion options relating to the contracts, service capabilities, character, financial position, and reputation of the carriers, and any other factors which the commissioner deems appropriate. Each benefit contract must be for a uniform term of at least one year, but may be made automatically renewable from term to term in the absence of notice of termination by either party. A carrier licensed under chapter 62A is exempt from the taxes imposed by chapter 297I on premiums paid to it by the state.

(b) All self-insured hospital and medical service products must comply with coverage mandates, data reporting, and consumer protection requirements applicable to the licensed carrier administering the product, had the product been insured, including chapters 62J, 62M, and 62Q. Any self-insured products that limit coverage to a network of providers or provide different levels of coverage between network and nonnetwork providers shall comply with section 62D.123 and geographic access standards for health maintenance organizations adopted by the commissioner of health in rule under chapter 62D.

(c) Notwithstanding paragraph (b), a self-insured hospital and medical product offered under sections 43A.22 to 43A.30 is not required to extend dependent coverage to an eligible employee's unmarried child under the age of 25 to the full extent required under chapters 62A and 62L. Dependent coverage must, at a minimum, extend to an eligible employee's unmarried child who is under the age of 19 or an unmarried child under the age of 25 who is a full-time student. The definition of "full-time student" for purposes of this paragraph includes any student who by reason of illness, injury, or physical or mental disability as documented by a physician is unable to carry what the educational institution considers a full-time course load so long as the student's course load is at least 60 percent of what otherwise is considered by the institution to be a full-time course load. Any notice regarding termination of coverage due to attainment of the limiting age must include information about this definition of "full-time student."

<u>(d) Beginning January 1, 2010, the health insurance benefit plans offered in the commissioner's plan under section 43A.18, subdivision 2, and the managerial plan under section 43A.18, subdivision 3, must include an option for a health plan that is compatible with the definition of a high-deductible health plan in section 223 of the United States Internal Revenue Code.</u>

Minnesota STATE COLLEGES & UNIVERSITIES

Factors Used in Determining Presidential Performance Incentives
Fiscal Year 2008-2009

Presidents who have satisfactorily performed their duties and responsibilities as defined in Board Policy 4.2 are eligible under their employment contracts for a performance incentive based on their progress in achieving a set of specified goals. Examples of the goals identified for the presidents include the following:

- Improvement in the second fall persistence and completion rate for underrepresented students.
- Increasing the percentage of students taking science, technology, engineering and mathematics (STEM) courses or the number of secondary teachers prepared for licensure in mathematics or science.
- Increasing the number of customized training students.
- Increasing the number of adult continuing education students.
- A college or university collaborative goal with another institution or community partner.
- Conducting college or university strategic planning activities.
- Expansion of assessment of student learning.
- Expansion of cost management or efficiency activities.
- Expansion of customized training for regional industries.
- Expansion of private and/or alumni giving.
- Expansion of outreach to and recruitment of high school students.
- Expansion of programs unique to the college/university.
- Expansion of K-12 and higher education partnerships.
- Implementation of globalization initiatives.
- Implementation of institutional or program accreditation projects.
- Implementation of sustainability initiatives.
- Improving community relations.
- Increasing employee and/or student diversity.
- Increasing enrollments in specific programs or courses.
- Increasing retention and student success.
- Improvement of student support services and/or development.

9.21.09