

## Subcommittee on Employee Relations Legislative Coordinating Commission



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**DATE:** December 6, 2007  
**TO:** Members of the Subcommittee  
**FROM:** Greg Hubinger  
**RE:** Compensation plan summaries  
Agency head salary

This memo summarizes three compensation plans that have been submitted to the Subcommittee for its review and approval:

- Commissioner's Plan
- Managerial Plan
- State Board of Investment Salary Administration Plan

Unlike collective bargaining agreements, which are negotiated, these compensation plans are developed by DOER and the State Board of Investment. Under the Subcommittee's statute, the Subcommittee can approve, reject or make modifications to these plans.

The Minnesota Zoological Gardens is proposing legislation that would permit a higher salary for the Zoo's Administrator. A summary of that proposal is included with this memo.

### Commissioner's Plan

The Commissioner's Plan establishes terms and conditions of employment for about 1,100 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/commissionersplan0709.pdf>

### Financial provisions

- 1) Employees receive a 3.25% across-the-board increase on July 1, 2007. Employees who are above the maximum of their new salary ranges do not receive this increase. Salary ranges are increased by 3.25%.

- 2) Employees receive a 3.25%, across-the-board increase on July 1, 2008. Employees who are above the maximum of their new salary ranges also receive this increase. Salary ranges are increased by 3.25%.
- 3) Employees receive performance-based increases averaging 3.5% on December 26, 2007 and January 7, 2009. Employees at the top of their salary ranges are ineligible to receive this increase. An agency may elect not to make these increases, or delay increases, because of budgetary reasons.
- 4) Increase the shift differential from \$0.60 to \$0.65 per hour.
- 5) Require each employee to contribute 1% of their gross annual salary to their Health Care Savings Account, administered by the Minnesota State Retirement System, effective July 9, 2008.
- 6) Continues 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 40 hours of vacation leave to deferred compensation. Reduce the ratio of the number of hours of vacation leave taken to hours that are converted to deferred compensation from three hours to two hours.

#### **Other provisions**

- 1) Insurance provisions are the same as those included in the negotiated agreements.
- 2) Continue early retirement incentives, similar to those in collectively bargained agreements. Require that employees have ten years of service in a position covered by the Corrections or State Patrol Plan, and have served in a covered position in the five years immediately preceding retirement.
- 3) For State Patrol and DNR Enforcement Supervisors, modify the amount of sick leave that is paid as severance. Under the current formula, 40% of the sick leave balance under 900 hours and 12.5% of the balance greater than 900 hours is converted. Effective January 1, 2008, severance will be calculated based on 35% of the entire sick leave balance.
- 4) For MnSCU employees, increase employer contribution to supplemental retirement from \$1,400 per year to \$1,600 in the first year, and to \$1,700 in the second year.

#### **Medical Specialists**

The Commissioner's Plan includes an appendix that establishes the terms and conditions of employment for medical specialists. This class of about 65 employees includes medical doctors and psychiatrists at facilities operated by the Departments of Human Services, Health, Corrections and the Veteran's Home Board.

A copy of this component of the Commissioner's Plan is available at:

<http://www.commissions.leg.state.mn.us/lcer/commissionersplanmedical0709.pdf>

While most provisions of this supplemental plan are the same as the Commissioner's Plan, these provisions are distinct:

- 1) Salary ranges are increased 6.5%, effective July 1, 2007. While ranges are modified only once, the Plan permits the Commissioner to modify the ranges once during the two year life of the plan. If the plan is modified by the Commissioner, Appointing Authorities may increase an individual employee's salary by no more than 10%, or the difference between the maximum of the previous salary range and the new salary range, whichever is less. However, if that increase is insufficient to increase a salary to the minimum of the new range minimum rate, the salary can be increased to that amount.
- 2) Medical specialists may receive a 6.5% increase on July 1, 2007, if the Appointing Authority certifies that they are meeting performance standards or objectives. If a medical specialist receives less than 6.5% on July 1, 2007, they can receive the difference on July 1, 2008, if the Appointing Authority certifies that they are meeting performance standards or objectives. Employees who are above the maximum of their new salary ranges do not receive this increase.
- 3) Medical specialists may receive performance-based increases averaging 3.5% on December 26, 2007 and January 7, 2009. Employees at the top of their salary ranges are ineligible to receive this increase.
- 4) The Commissioner of Employee Relations may develop a student loan reimbursement incentive that provides for repayment of all or a portion of medical school loans for targeted areas. The proposed plan would be submitted to the Subcommittee on Employee Relations for notification.
- 5) Modify the amount of sick leave that is paid as severance. Under the current formula, 40% of the sick leave balance under 900 hours and 12.5% of the balance greater than 900 hours is converted. Effective January 1, 2008, severance will be calculated based on 35% of the entire sick leave balance.

#### **Settlement cost sheet**

DOER estimates that the cost of the increases (performance-based increases, insurance, FICA, retirement contributions) provided in this plan will be 6.12% this biennium. The cost of these increases will add 8.96% 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.) The cost of these increases is approximately \$9,976,000 in FY 08-09.

#### **Managerial Plan**

The Managerial Plan establishes terms and conditions of employment for about 1,270 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/managerialplan0709.pdf>

### **Financial provisions**

- 1) Managers may receive a 3.25% increase effective July 1, 2007, if performance standards are met. Managers who are above the maximum of their new salary ranges do not receive this increase. Salary ranges are increased by 3.25%.
- 2) Managers may receive a 3.25% increase on July 1, 2008, if performance standards are met. Managers who are above the maximum of their new salary ranges also receive this increase. Salary ranges are increased by 3.25%.
- 3) Managers receive performance-based increases averaging 3.5% on December 26, 2007 and January 7, 2009. Managers at the top of their salary ranges are ineligible to receive this increase. An agency can elect not to make these increases, or delay increases, because of budgetary reasons.
- 4) Add eleven new salary ranges whose range maximums exceed the salary of the governor. Under Minn. Stat. 43A.17, Subd 1, the salary of an employee generally may not exceed the salary of the head of the agency. The current maximum salary of an agency head is 95% of the salary of the governor. The maximum salary of the proposed ranges is \$176,016. No classes or positions are assigned to these new ranges.
- 5) Require each employee to contribute 1% of their gross annual salary to their Health Care Savings Account, effective July 9, 2008.
- 6) Continues 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. Reduce the ratio of the number of hours of vacation leave taken to hours that are converted to deferred compensation from three hours to two hours.

### **Other provisions**

- 1) Insurance provisions are the same as those included in the negotiated contracts.
- 2) Modify the amount of sick leave that is paid as severance. Under the current formula, 40% of the sick leave balance under 900 hours and 12.5% of the balance greater than 900 hours is converted. Effective January 1, 2008, severance will be calculated based on 35% of the entire sick leave balance.

### **Settlement cost sheet**

DOER estimates that the cost of the increases (performance-based increases, insurance, FICA, retirement contributions) provided in this plan will be 5.85% this biennium. The cost of these increases will add 8.71% 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.) The cost of these increases is approximately \$16,699,000 in FY 08-09.

## **State Board of Investment Salary Administration Plan**

This compensation plan establishes terms regarding salaries only for seven managerial employees at the State Board of Investment. Insurance, expense reimbursement, and employment conditions are determined through the Managerial Plan. A copy of the proposed plan is available at:

<http://www.commissions.leg.state.mn.us/lcer/sbiplan0809.pdf>

### **Financial provisions**

Salary ranges. The Board proposes that the three salary ranges for their managers be adjusted automatically by inflation, using the same process the Department of Employee Relations uses to adjust the local government salary cap. (DOER uses CPI-U, as provided in law). The plan already provides that the salary range for the Executive Director be adjusted in this manner.

This is the only change proposed by the Board.

### **Department of Employee Relations review**

DOER is required to review and comment on the SBI's plan. DOER approves the proposed plan, and also recommends that the plan be submitted each biennium for DOER's review, and for approval by the Subcommittee (i.e., the same process used for other state labor contracts and compensation plans.)

### **Minnesota Zoological Gardens Administrator salary**

The Board of Directors of the Minnesota Zoological Gardens is recommending that the statute that governs the salary of the Zoo's administrator be modified. Current law (Minnesota Statutes 2007, section 85A.02, Subd 5a) provides that the salary of the administrator is set by the board, but cannot exceed 130% of the salary of the governor. The amount of any salary over 95% of the salary of the governor must consist of non-state funds.

The Board is proposing to eliminate the salary limit, but retain the requirement that the amount exceeding 95% of the governor's salary be paid with non-state funds. The Board requests that this revision to their statute be included in the Subcommittee's 2008 legislative package.

A copy of the Zoo's letter of request, the proposed statutory change, and a table the Zoo provided comparing salaries nationally can be found at:

<http://www.commissions.leg.state.mn.us/lcer/071204Haynsworth.pdf>

If you have any questions or comments, please feel free to email me at [greg.hubinger@lcc.leg.mn](mailto:greg.hubinger@lcc.leg.mn) or call me at 651.296.2963.

Attachments: Settlement sheet

# STATE EMPLOYEE SALARY SETTLEMENTS

## FY 2008-2009 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

December 13, 2007

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO BIENNIUM (3)
	7/1/2007	1/9/2008	7/1/2008	1/1/2008				
AFSCME, Council 5 (excluding Unit 8)	3.25%		3.25%		\$1,606,759,000	\$95,713,000	5.96%	9.46%
AFSCME, Unit 8, Correctional Guards	3.25%		3.25%		\$213,470,000	\$11,933,000	5.59%	8.62%
> AFSCME, Unit 25, Radio Communications Oper	3.25%		3.25%		\$8,272,000	\$449,000	5.43%	8.32%
MN Association of Professional Employees	3.25%		3.25%		\$1,579,695,000	\$91,613,000	5.80%	8.99%
> Middle Management Association *	3.25%		3.25%		\$464,715,000	\$25,732,000	5.54%	8.07%
> MN Government Engineers Council *	3.25%		3.25%		\$154,141,000	\$8,159,000	5.29%	7.63%
Minnesota Nurses Association								
MN Law Enforcement Association								
> State Residential Schools Education Assoc		3.25%	3.25%		\$27,428,000	\$1,631,000	5.95%	9.36%
State University Inter Faculty Organization								
MN State University 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	3.25%		3.25%		\$285,262,000	\$16,699,000	5.85%	8.71%
> Commissioners Plan (4)	3.25%		3.25%		\$162,878,000	\$9,976,000	6.12%	8.96%
<b>TOTAL</b>					<b>\$4,502,620,000</b>	<b>\$261,905,000</b>	<b>5.82%</b>	<b>8.68%</b>

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.

\* The across the board increase in the first year is effective July 11, 2007.