

## Subcommittee on Employee Relations Legislative Coordinating Commission



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Greg Hubinger, Director  
Sally Kidd, Commission Asst.

**DATE:** March 12, 2008

**TO:** Members of the Subcommittee

**FROM:** Greg Hubinger

**RE:** Contracts and plans summaries

This memo summarizes these contracts and plans that have been submitted to the Subcommittee for its approval:

- Minnesota Law Enforcement Association collective bargaining agreement
- Inter Faculty Organization collective bargaining agreement
- Personnel Plan for MnSCU Administrators
- Office of Higher Education Compensation Plan

Under the statute that governs the Subcommittee, actions taken during a legislative session are a recommendation to the legislature. The terms of the contracts and plans are not effective until the SER bill is passed into law.

### **Minnesota Law Enforcement Association contract**

DOER has reached a tentative settlement with the Minnesota Law Enforcement Association (MLEA). This bargaining unit includes approximately 720 employees consisting of State Troopers, Conservation Officers, and BCA Agents. It also includes Fugitive Specialists in the Department of Corrections, Special Agents in the Gambling Enforcement Division of the Department of Public Safety and Insurance Fraud Specialists in the Department of Commerce. A copy of the contract in legislative format is at:

<http://www.commissions.leg.state.mn.us/lcer/MLEA0709.pdf>

### **Financial provisions**

- 1) Effective July 1, 2007, Employees receive a 3.25% across-the-board increase. Employees who are above the maximum of their salary range do not receive this increase.

- 2) Effective July 23, 2008, all employees receive a 3.25% across-the-board increase, including those employees whose salary is above the maximum of their salary range.
- 3) Effective December 24, 2008, 1% is added to the top step of the salary ranges, and employees who are at the maximum receive this increase.
- 4) Employees continue to receive step increases each year of the contract until they reach the maximum of their salary ranges. Each step is about 4%. Approximately 40% of the employees are eligible for these increases.
- 5) Add a provision establishing a salary differential of 3% for the positions of Safety Education Coordinator and Crash Reconstruction Coordinator.
- 6) Continue the employer match for deferred compensation at \$400 per year.

#### **Other provisions**

- 7) Modify the amount of sick leave that is paid as severance. Effective upon approval by the Legislature, severance will be calculated based on 35% of the entire sick leave balance. Employees who receive severance for reasons other than layoff or death have that payment made to the employee's Health Care Savings Plan.
- 8) Continue early retirement incentives that provide for varying amounts of the employer share of health and dental insurance for eligible employees retiring after age 50.
- 9) Continue to permit employees to donate up to eight hours of vacation leave to a bank that can be used by the Association representative.

#### **Settlement Cost Sheet**

DOER estimates that the cost of the increases (across-the-board increases, steps, insurance, FICA, retirement contributions) provided in the Law Enforcement agreement will be 6.04% this biennium. The cost of these increases will add 9.71% 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 \$7,596,000 in FY 08-09.

### **Inter Faculty Organization Contract**

MnSCU has reached an agreement with the Inter Faculty Organization (IFO), which represents 3,144 FTE faculty (4,052 head count) at state universities. The tentative agreement is available at: <http://www.commissions.leg.state.mn.us/lcer/IFO0709.pdf>

### **Financial provisions**

- 1) Effective July 1, 2007, returning faculty receive a one step increase. Five steps are added to the top of the salary schedule.

Effective July 1, 2008, returning faculty receive a 2% across-the-board increase, and a two step increase. Effective at mid year, faculty receive a second 2% across-the-board increase.

Step increases are equal to a 2.4% increase. In the second year, faculty at the top of the professor salary range will receive a lump sum payment of \$4,800 (not added to their salary base).

- 2) Faculty who are promoted continue to receive a two step increase, but beginning on July 1, 2008 faculty may be eligible for larger increases. MnSCU will use the same salary setting methodology that it uses for new hires to determine the appropriate salary for faculty promoted on or after July 1, 2008.
- 3) Faculty reaching 10, 20 and 30 years of service continue to receive career steps equal to two steps. The sunset date for this provision is extended from 2007 to 2013.
- 4) Faculty who give one year's notice of retirement continue to receive a two step increase in their final year of teaching. The faculty member must be at least 55 years old, and have at least 15 years of service. If the faculty member is at the top of their salary range, they receive a lump sum of \$4,800.
- 5) Establish "University Scholars" to recognize faculty who have demonstrated outstanding teaching, service or scholarship for three successive years. Faculty receiving this designation are awarded a lump sum payment of \$6,000. No more than 5% of a university's faculty may be awarded this recognition each year, nor more than 10% in any one department.
- 6) Continue the \$600 employer contribution to the faculty member's Health Reimbursement Account. Increase the contribution to \$800 on January 1, 2009.
- 7) Continue to match faculty member's contribution to a supplemental retirement account, to a maximum of \$2,250.
- 8) Increase stipends for adjunct faculty from \$1,100 per credit to \$1,125 (a 2.3% increase) the first year, and to \$1,200 (a 6.7% increase) the second year.

### **Other provisions**

- 9) Establish a mechanism to create "endowed chair" positions at a university. Funding for endowed chairs must be from sources that are non-tuition, non-state appropriations.

- 10) Modify the authority of the Salary Review Committee so that its recommendations, if any, regarding salaries for promoted faculty who have been promoted or who have received terminal degrees must be implemented.
- 11) Adopt language providing for 9 month appointments. These appointments, for faculty hired after July 1, 2009, provide greater flexibility in scheduling courses, while ensuring that these faculty are in full time positions.
- 12) Restructure provisions relating to summer session workloads and schedules, and provide for alternative sessions (e.g., J term). Permits greater flexibility in scheduling of classes that are held outside of the traditional fall and spring semesters, while clarifying the overall workload.
- 13) Implement the State Employee Group Insurance Program as provided in the other contracts.
- 14) Increase funding for professional study from \$1,115 for each faculty member in the first year to \$1,300 in FY 09. MnSCU also allocates \$400,000 each year for all faculty for professional improvement.
- 15) Continue tuition waiver for faculty at 30 credits per year. If the faculty member does not use these credits, they can be used by the faculty member's spouse or dependent children.
- 16) Continue phased retirement and annuitant employment programs. Faculty who are 55 years old and have 10 years of service may work between .33 and .67 FTE and receive insurance and retirement benefits as if they worked full time. These programs are authorized in statute.
- 17) Continue the sabbatical leave program. Faculty with at least six years of service, who submit a plan, may take a sabbatical. A leave of one semester is paid at 100%. New language provides that full-year sabbaticals are paid at 80% of base salary regardless of the number of prior sabbaticals that have been taken. Previously, the rate of payment for full year sabbaticals increased from 67% to 90%. New language is proposed that describes the process for awarding sabbaticals when more than 25% of the faculty in a given department are eligible for and request a sabbatical.
- 18) Continue the separation incentive, where faculty with 15 years of service and who are at least 55 years old receive up to a year's salary upon retirement. The incentive is decreased by 10% for each year the faculty is greater than age 55. A retiring faculty member receiving this incentive also receives the equivalent amount of the employer's contribution for health insurance for one year contributed to the faculty member's health care savings plan account. Faculty hired after July 1, 1996, are not eligible for this benefit.

Modify the incentive so that the payments are usually made to the faculty member's health care savings plan account. New language is included to provide this benefit to part time faculty, on a pro-rated basis, which codifies MnSCU's practice.

### **Settlement Cost Sheet**

MnSCU estimates that the cost of the increases (range adjustments, steps, insurance, FICA, retirement contributions) provided in the IFO contract will be 5.98% this biennium. The cost of these increases will add 11.39% 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 \$29,161,000 in FY 08-09.

### **Personnel Plan for MnSCU Administrators**

This plan establishes terms and conditions of employment for about 550 unrepresented managers in MnSCU. A copy of this proposed plan, in legislative format, is available at:

<http://www.commissions.leg.state.mn.us/lcer/MNSCU08-09.pdf>

### **Financial provisions**

- 1) Salary of the Chancellor. The Board of Trustees is statutorily authorized to set the salary of the chancellor anywhere within the salary range. The salary range is approved by the Legislature as part of this compensation plan. The Board of Trustees proposes to increase the maximum of the Chancellor's range by \$25,000 in each of the next two years from the current level of \$340,000 (a 7.4% increase in FY 09 and 6.8% in FY 10).

The Chancellor's base salary is \$340,000, effective July 1, 2007, an increase of 19% over FY 07. The Subcommittee does not review or approve the specific salary. Salary increases are determined by the Board of Trustees. In estimating the cost of implementation of the plan, MnSCU staff assumed that the Chancellor's salary would increase by 4.0% the first year and 5.0% the second year.

- 2) Salaries of Presidents. The Board is authorized to set the salaries of these individuals anywhere within the salary ranges. MnSCU proposes to increase the maximum of the ranges for presidents by between 12.0% and 32.1% the first year and 4.0% the second year. In estimating the cost of implementation of the plan, MnSCU staff assumed that the average merit-based salary increase for presidents would be 4.0% the first year and 5.0% the second year. The actual increases will be determined by the Chancellor.
- 3) Salaries of other administrators. MnSCU proposes merit increases averaging 4.0% in FY 08 and 5.0% in FY 09. The maximum of the salary ranges is increased by 6.0% the first year and 4.0% the second year. MnSCU proposes two new ranges at the top: in FY 09 the

maximum of the highest salary range for these administrators will be \$238,000. At this point, no classes or positions have been assigned to these two new ranges.

- 4) Continue program providing exceptional performance awards (similar to Achievement Awards in other labor contracts). However, convert the calculation of this pool of funds from \$500 per eligible administrator to a pool based on 1% of the eligible administrator salary base.
- 5) Add an early notice of separation incentive for administrators who have at least five years of service in a position covered by this Plan. The administrator must provide at least nine month's notice, and will receive an incentive in the form of a lump sum payment equal to 5% of the administrator's salary, payable at the time of separation.
- 6) Continue employer contribution of \$600 each year to the administrator's Health Reimbursement Account
- 7) The matching employer contribution to the supplemental retirement account increases from \$2,300 per year to \$2,700 per year in FY 09.
- 8) Increase the reimbursement rate for meals eaten in Hennepin and Ramsey Counties to the same rates used for other high-cost cities.

Also permit job candidates to be reimbursed for travel expenses for one additional person.

#### **Other provisions**

- 9) Implements the same changes for health and dental insurance as those covered in labor contracts and other compensation plans.
- 10) The plan permits the Chancellor to establish a program providing for mandatory employee contributions to a Health Care Savings Plan.
- 11) Modify the amount of sick leave that is paid as severance. Under the current formula, 40% of the sick leave balance under 112 days and 12.5% of the balance greater than 112 days is converted. Effective January 2, 2008, severance will be calculated based on 40% of the first 325 days of sick leave. The maximum severance possible severance payment is equivalent to 130 days of pay. If the value of the severance payment is greater than \$5,000 it is contributed to the employee's Health Care Savings Plan. This is similar to provisions in some of the other contracts and plans.
- 12) Modify re-location expense reimbursements to establish a cap of \$50,000 or 20% of the employee's base salary, whichever is higher. Previously, these expenses were limited to 20% of the base salary.
- 13) Eliminate a provision providing an enhanced separation benefit to administrators whose positions are eliminated as a result of consolidating colleges.

**Settlement cost sheet**

MnSCU estimates that the cost of the increases (merit increases, insurance, FICA, retirement contributions) provided in this plan will be 6.60% this biennium. The cost of these increases will add 10.15% 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 \$9,132,000 in FY 08-09.

**Department of Employee Relations review**

DOER is required to review and comment on MnSCU's proposed plan. The Department's comments can be found at: <http://www.commissions.leg.state.mn.us/lcer/DOERreview.pdf>. The Department's letter includes a comparison of a variety of benefits received by MnSCU managers compared to managers in state agencies.

DOER is concerned that MnSCU's managers are generally paid at a higher rate and receive benefits that are often better than managers receive through the Managerial Plan. Commissioner Anderson expresses concern that state agencies competing with MnSCU for talented managers will be at a disadvantage because of this disparity.

**Office of Higher Education Compensation Plan**

The Office of Higher Education (OEH) 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/0809oheplan.pdf>

As required in Minnesota Statutes 43A.18, Subdivision 4, this plan has been reviewed and approved by DOER.

**Financial Provisions**

- 1) Effective July 1, 2007, employees who meet performance standards may receive a salary increase of 3.25%. Employees who are above the maximum of their salary range do not receive this increase.
- 2) Effective July 1, 2008, employees who meet performance standards may receive a salary increase of 3.25%, including those employees whose salary is above the maximum of their salary range.
- 3) Eligible employees receive performance-based increases on December 26, 2007 and January 7, 2009, which average 3.5%. These increases are dependent on the availability of funds. Employees at the maximum of their salary range are ineligible for these increases.
- 4) Salary ranges are increased by 3.2% each year.

**Other Provisions**

- 5) Effective July 9, 2008, require all employees to contribute 1% of their earnings to their Health Care Savings Plan accounts.
- 6) 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.
- 7) 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.
- 8) Modify the amount of sick leave that is paid as severance. Effective January 9, 2008, severance will be calculated based on 35% of the entire sick leave balance. Employees who receive severance for reasons other than layoff or death have that payment made to the employee's Health Care Savings Plan.
- 9) Implement the State Employee Group Insurance Program as provided in the other contracts and plans.

**Settlement Cost Sheet**

DOER estimates that the cost of the increases (steps, insurance, FICA, retirement contributions) provided in this plan will be 6.15% this biennium. The cost of these increases will add 16.30% 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 \$401,000 in FY 08-09.

Attach: settlement sheet

# STATE EMPLOYEE SALARY SETTLEMENTS

## FY 2008-2009 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

March 3, 2008

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	1/1/2009				
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 225, 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								
> <b>MN Law Enforcement Association</b>	3.25%		3.25%		\$125,796,000	\$7,596,000	6.04%	9.71%
State Residential Schools Education Assoc		3.25%	3.25%		\$27,428,000	\$1,631,000	5.95%	9.36%
> <b>State University Inter Faculty Organization</b>			2.0%	2.0%	\$487,273,440	\$29,161,183	5.98%	11.39%
MN State University Admin & Service Faculty								
Minnesota State College Faculty								
> <b>Personnel Plan for MnSCU administrators</b>					\$138,336,586	\$9,131,855	6.60%	10.15%
Personnel Plan for St Bd of Invest employees								
> <b>Office of Higher Education Plan</b>	3.25%		3.25%		\$6,514,000	\$401,000	6.16%	16.30%
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>\$5,260,540,026</b>	<b>\$308,195,038</b>	<b>5.86%</b>	<b>9.67%</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.