

**Subcommittee on Employee Relations
Legislative Coordinating Commission**



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Greg Hubinger, Director
Sally Kidd, Commission Asst.

DATE: July 15, 2008

TO: Members of the Subcommittee

FROM: Greg Hubinger

RE: Contract and plans summary
Agency head salary increases

Minnesota State University Administrative and Service Faculty Contract

MnSCU has reached a tentative settlement with the Minnesota State University Administrative and Service Faculty (MSUAASF). This bargaining unit includes approximately 638 faculty (FTE) employed in admissions, financial aid, housing, and student services positions. The tentative agreement is available at:

<http://www.commissions.leg.state.mn.us/lcer/MSUAASF0709.pdf>

Financial Provisions

- 1) Adjustments to salary ranges result in a 1.5% increase in salary on July 1, 2007, and July 1, 2008.
- 2) Eligible faculty receive a step increase on July 1, 2007, and July 1, 2008. Step increases are approximately 3%. In the first year, employees at the top of their salary ranges receive a lump sum payment (not added to their salary base) of \$2,200. A new step is added the second year.
- 3) Medical doctors covered under this contract receive a 4.5% increase on July 1, 2007, and July 1, 2008.

- 4) Continue requirement that each faculty member with five years' service contribute 5% of the first \$6,000 of salary to the Health Care Savings Plan. The employer contributes \$300 each year.
- 6) Continue to match an employee's contribution to a supplemental retirement account, to a maximum of \$2,200.
- 7) Continue the exceptional achievement program, which rewards up to 10% of employees with a lump sum payment up to 5% of the employee's salary. The contract requires extensive evidence of performance meeting numerous criteria.
- 8) Continue the "Special Initiative Award Program," in which faculty (individually or as a group) propose and implement projects that are of benefit to the University, its mission, or to the MnSCU system. As determined by the president, the maximum award is \$5,000, which is provided as a lump sum upon completion of the project.

Other Provisions

- 1) Implement the State Employee Group Insurance Program as provided in the other contracts.
- 2) Increase funding for Professional Development (for employee workshops, conferences, courses) from \$300,000 to \$315,000 per year. Also increase Professional Improvement from \$70,000 to \$100,000 per year for grants to employees for staff training and development.
- 3) Modify sick leave provision to permit fathers to use up to 5 days of sick leave at the birth of their child.
- 4) Continue tuition waiver for employees for up to 27 credits per year.
- 5) Continue providing sabbaticals for employees with at least six years of service.
- 6) Continue the separation incentive, where employees 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 employee is greater than age 55. This incentive is discretionary. The incentive also provides one year of the employer contribution for health insurance. The employer's contribution is deposited into the employee's Health Care Savings Plan.
- 7) Continue the early retirement notice incentive, which provides a 5% increase in salary in the employee's final year of employment, if the employee provides six month's notice.

Settlement Cost Sheet

MnSCU estimates that the cost of the increases (range adjustments, steps, insurance, FICA, retirement contributions) provided in the MSUAASF contract will be 5.26% this biennium. The cost of these increases will add 7.97% 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 \$4,763,000 in FY 08-09.

Managerial and Commissioners Plan amendments

The Department of Employee Relations/Department of Finance is proposing four amendments to the Commissioners Plan and one amendment to the Managerial Plan. These plans were originally given interim approval by the Subcommittee on December 17, 2007, and included in the ratification bill (Chapter 194).

DOER proposes four amendments:

- 1) The Commissioners Plan requires that, effective July 9, 2008 all employees contribute 1% of their earnings to their Health Care Savings Plan accounts. The Commissioners Plan determines compensation for a class of employees “insufficient work time employees” who have very limited employment with the state, and who were not intended to be covered by this provision. The proposed amendment would exclude this requirement for these employees.
- 2) DOER proposes amending the Medical Specialists addendum to the Commissioners Plan to deal with a difficulty the Department of Human Services has in attracting and retaining psychiatrists for state facilities. In order to reduce turnover, DOER proposes an interim solution of providing salary differentials ranging from 10% to 20% for doctors serving in this employment classification. This differential would be provided for specialized psychiatry services, providing administrative services as a Clinical Doctor or as an Associate Medical Director, or for serving as a System Medical Director . The differential includes a sunset date, which will enable the two departments to evaluate permanent solutions.

Finally, the amendment clarifies that all Medical Specialists participate in the requirement for employees to contribute 1% of their annual salaries to their Health Care Savings Plan accounts.
- 3) DOER proposes amending the Medical Specialists addendum to the Commissioners Plan to revise on-call pay. The changes are intended to make the provision easier to administer and is expected to save money.
- 4) DOER proposes an identical amendment to the Commissioners and Managerial Plans. Both plans have provisions relating to early retirement incentives for supervisors who are in the Correctional Retirement Plan or the State Patrol Retirement Plan. The incentive provides employer paid medical and dental insurance until age 65. The amendment clarifies that employees in these two compensation plans who are covered by these two pension plans can

add coverage for their spouse, provided that the spouse is also a state employee at the time the Correctional Plan or Patrol Plan employee retires. This change would clarify the current practice.

Pension fund director salaries

In the 2008 session, the salary range for the directors of the three state-wide pension funds was increased from a maximum of 85% of the salary of the governor to 95% of the salary of the governor (Chapter 363, Article 13, section 15.) The Teachers Retirement Association (TRA), the Public Employees Retirement Association (PERA) and the Minnesota State Retirement Association (MSRS) are each proposing to increase the salary of their directors to the new range maximum. The current salary of each director of \$102,249 would increase to \$114,288, a 12% increase.

The three funds contracted with McLagan Partners to conduct a compensation survey. That survey compared Minnesota's three state-wide funds with 19 public funds with similar sized memberships as Minnesota's funds. The survey included public funds with memberships between 50,000 and 200,000 members. MSRS has 56,000 members, PERA 161,000, and TRA 78,000. The survey did not appear to compare other demographic data such as operating budgets or number of employees.

The study concluded that the median salary for directors of these sized pension funds was \$175,000. The funds' proposed salaries of \$114,288 are 65% of the median for the comparison group. A copy of that study is at:

<http://www.commissions.leg.state.mn.us/lcer/McLagencompstudy080610.pdf>

Appointing authorities are required to provide information regarding the director's performance, and in meeting the agency's affirmative action goals. Each of the pension funds provided this information.

When proposing salary changes, appointing authorities are required to consult with DOER. DOER has submitted a letter in which it points out that these three positions will be paid more than any of the other agency heads in this salary range. (Salary increases for the other positions are proposed by the governor. These positions, appointed by the governor, have not had a salary increase requested since 2000.)

Attached is a table that shows the recent salary history of heads of state agencies, including the proposed increases.

State Board of Investment Salary Administration Plan

The State Board of Investment (SBI) maintains a salary administration plan for approximately twelve employees, including the director.

The SBI is concerned about high levels of staff turnover, and reports that 14 employees have left in the last ten years. As a result, the SBI also contracted with McLagan Partners to conduct a compensation survey. A copy of the survey is at:

<http://www.commissions.leg.state.mn.us/lcer/sbicompstudy080620.pdf>

The survey concluded that the SBI pays its employees below market wages when the SBI is compared to other public pension funds. The median value of assets under management in the survey was \$72 billion. The SBI manages \$60 billion, so it is in the 25th percentile. The pension funds in the survey sample manage an average 62% of their funds internally. The SBI reports that it manages 12% of its funds internally.

The consultant recommends, and the SBI's proposed plan includes, these revisions to the covered employees' salary ranges:

Title	Minimum	Midpoint	Maximum		% change: minimum	% change: minimum
Executive Director	<u>\$195,000</u>	<u>\$245,000</u>	<u>\$295,000</u>		35% (over current salary)	104% (over current salary)
Asst. Exec. Director	<u>\$120,592</u> <u>\$145,000</u>	<u>\$131,057</u> <u>\$185,000</u>	<u>\$141,541</u> <u>\$225,000</u>		20%	59%
Managers	<u>\$94,361</u> <u>\$110,000</u>	<u>\$115,330</u> <u>\$150,000</u>	<u>\$136,299</u> <u>\$190,000</u>		17%	39%
Portfolio Managers	<u>\$83,876</u> <u>\$90,000</u>	<u>\$104,845</u> <u>\$130,000</u>	<u>\$125,815</u> <u>\$170,000</u>		7%	35%
Research Director Executive Aide	Salary ranges of the Research Director and Executive Aide positions shall be as stated in the Managerial Plan.					

The current salary of the director is \$144,711.

Language in the plan effectively permits the director to set the salary for covered employees anywhere in the range. The board, under the terms of the plan, has authority to set the director's salary anywhere in that range once the range is approved.

DOER is required to review and comment on the proposed plan. DOER has indicated it has not received a request from the SBI to review the proposed plan.

Senator Metzen has indicated that he is not intending to take action on this proposal at the July 18th meeting.

A copy of the plan is at: <http://www.commissions.leg.state.mn.us/lcer/sbiplan0809final.pdf>

Attach: Settlement sheet
Agency head salaries

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STATE EMPLOYEE SALARY SETTLEMENTS

FY 2008-2009 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

May 27, 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								
MN Law Enforcement Association	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%
State University Inter Faculty Organization			2.0%	2.0%	\$487,273,440	\$29,161,183	5.98%	11.39%
MN State University Admin & Service Faculty	1.5%		1.5%		\$90,596,739	\$4,762,622	5.26%	7.97%
Minnesota State College Faculty	\$500				\$682,553,299	\$41,438,414	6.07%	6.05%
Personnel Plan for MnSCU administrators					\$138,336,586	\$9,131,855	6.60%	10.15%
Personnel Plan for St Bd of Invest employees								
Office of Higher Education Plan	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%
TOTAL					\$6,033,690,064	\$354,396,074	5.87%	9.31%

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.

