Subcommittee on Employee Relations
Legislative Coordinating Commission

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DATE: June 23, 2009

TO: Members of the Subcommittee

FROM: Greg Hubinger

RE: June 29th meeting materials.

Background

Minnesota Management and Budget (MMB) and MnSCU have each reached tentative settlements with several of the exclusive representatives of their employees. These contracts are for the FY 10-11 biennium.

MnSCU has reached tentative agreements with:
- Minnesota State College Faculty
- Minnesota State University Administrative and Service Faculty

MMB has reached tentative settlements with:
- American Federation of State, County, and Municipal Employees (AFSCME Council 5)
- AFSCME Correctional Officers bargaining unit
- AFSCME Radio Communications Officers unit
- Minnesota Association of Professional Employees
- Middle Management Association

This memo includes a description of the major contract provisions and a summary of the financial implications. Links to the actual contracts, in legislative format, are available in the summary for each contract. Changes to the State Employee Group Insurance Plan (the core health insurance program for state employees) are included as part of these contracts.

A separate memo summarizes compensation plans which have also been submitted for review and interim approval.

Insurance Benefits

The health, dental, life, and disability benefits provisions are initially bargained through a coalition that includes exclusive representatives from all of the state's unions. Final bargaining is completed between the state and the exclusive representatives for AFSCME and MAPE. All other unions sign a Memorandum of Understanding (MOU) specifying that they agree to accept the benefits as bargained by AFSCME and MAPE. As a result, the insurance provisions themselves are generally consistent from contract to contract. However, some minimal changes for financial and benefit issues (like eligibility, modifications to state contributions, and life insurance schedules) may be bargained from contract to contract. Because benefits are a term and condition of employment, the Legislature does not separately review the benefits program, even though it will eventually apply to all eligible state employees.

The insurance provisions also generally become part of the Legislative Plan for Employee Benefits, so that they apply to members and staff. That Plan must be approved by the Legislative Coordinating Commission before becoming effective. Insurance changes become effective January 1, 2010.

MMB and the employee representatives negotiated the following with regard to insurance:

1. No changes to the plan design, co-pays, tiers, deductibles or co-insurance. For tier four, reduce certain co-insurance and deductibles from 30% to 25%.
2. Employer and employee contributions will remain at the CY 09 levels for CY 10
3. The SEGIP reserve fund will be used to pay for plan costs that exceed the premiums received in CY 10.
4. Premiums are estimated to increase by approximately 6.7% in CY 11.
5. The employer will contribute $125 to each covered employee's Health Reimbursement Account (Benny card) in CY 11.

Inter Faculty Organization contract cost update

The Subcommittee approved the collective bargaining agreement for the MnSCU Inter Faculty Organization during the 2009 session, and it was included in the ratification bill (SF 1036). At the time the contract was submitted, state employee unions and MMB had not yet negotiated provisions related to SEGIP and premium increases.

When costing this contract, MnSCU relied on preliminary estimates provided by MMB, assuming premium increases of 6% a year. Now that these terms have been negotiated, cost of premium increases in FY 10 will be paid for from the SEGIP reserves. Premiums for CY 11 continue to be projected to increase 6.7%. The numbers in the settlement sheet have been adjusted to reflect this change.

Minnesota State College Faculty contract

MnSCU has reached a tentative settlement with the Minnesota State College Faculty. This bargaining unit includes approximately 4,574 faculty (FTE) at community and technical colleges. A copy of the contract in legislative format is at:
http://www.commissions.leg.state.mn.us/lcer/MSCF0911.pdf

Financial provisions:

1. No across the board increases in either year.
2. No step increases in either year.
3. A program begun in the last contract "Awards for Excellence" is suspended for FY 10-11. Under this provision, awards up to $5,000 could be granted by college presidents to faculty or groups of faculty for special projects.

Other provisions continue:

4. Implement the State Employee Group Insurance Program.
5. MnSCU will continue to match faculty members' contributions to their supplemental retirement accounts at $2,500 per year, as provided in state law.
6. Continue providing early retirement incentives for faculty hired before July, 1995:
   - Community college faculty hired who have 15 years of service and are at least 55 years old, and where it is demonstrated that a layoff will be prevented, a recall allowed or result in a cost savings, receive up to one year's salary upon retirement. This incentive is reduced by 20% per year for each year the faculty member is past age 60.
   - Technical college faculty who have 15 years of service and are at least 55 years old, and are immediately eligible to receive an annuity, receive 50% of their sick leave balance (other faculty who terminate service are eligible to receive 40% of their sick leave balance). Faculty who had ten years of service as of July, 1995, can alternatively elect to receive the incentive in their 1993-95 collective bargaining agreement. If this benefit consists of health insurance, it can only be paid until the faculty member is 65 years old.
7. Continue phased retirement program. Faculty who are 55 years old and have ten years of service may work between .40 and .80 FTE and receive insurance and retirement benefits as if they worked full time. The maximum length of a phased retirement is six years.
8. 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%. For full year sabbaticals, faculty hired before July 1, 2008 receive sabbaticals based on a percentage of base salary with the first at 2/3, the second at 80% and the third at 90%. Faculty starting after July 1, 2008 will receive a flat 80% of base salary for each sabbatical earned. No more than 10% of the community college faculty, nor more than 2.5% of the technical college faculty, may take a sabbatical in a given year.
9. Continue providing Professional Development (for employee workshops, conferences, courses) at $250 per faculty per year.
10. Continue tuition waiver for faculty for up to 24 credits per year. If the faculty member doesn't use the waiver, their dependents can use up to 16 credits per year.

Settlement cost sheet

MnSCU estimates that the cost of the increases (insurance, FICA, retirement contributions) provided in the MSCF contract will be -0.21% this biennium. The cost of these increases will add 0.22% 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 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/MSUAASF0911.pdf

Financial provisions:

1. No across the board increases in either year.
2. No step increases in either year.
3. Increase the professional development fund from $315,000 per year to $450,000.
4. Increase the honorarium for service faculty who complete special projects from $800 to $1,000.

Other provisions continue:

5. Implement the State Employee Group Insurance Program.
6. 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.
7. Continue to match an employee's contribution to a supplemental retirement account, to a maximum of $2,200.
8. 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.
9. Continue the "Special Initiative Award Program," in which service 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.
10. Continue tuition waiver for employees for up to 27 credits per year.
11. Continue providing sabbaticals for employees with at least six years of service.
12. 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.
13. 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 months notice.

Settlement Cost Sheet
MnSCU estimates that the cost of the increases (insurance, FICA, retirement contributions) provided in the MSUAASF contract will be -0.7% this biennium. The cost of these increases will result in a -0.39% reduction 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.)

AFSCME Contract

MMB has reached tentative settlements with the American Federation of State, County, and Municipal Employees (AFSCME Council 5). AFSCME represents approximately 16,000 employees in five bargaining units:

- clerical
- technical
- health care non-professionals
- craft
- service

MMB and AFSCME reached separate settlements with the Correctional Officers bargaining unit and the Radio Communications Operators unit. These contracts cover approximately 1,900 guards at state correctional facilities, and 66 radio communications operators.

The contracts, in legislative format, are available on the web at:
AFSCME, Council 5: http://www.commissions.leg.state.mn.us/lcer/AFSCMETentative2009.pdf

AFSCME, Correctional Officers: http://www.commissions.leg.state.mn.us/lcer/AFSCME-Unit8tentative2009.pdf

AFSCME: Radio Communications Operators:
http://www.commissions.leg.state.mn.us/lcer/RCO0911.pdf

Financial provisions:

1. No across the board increases in either year.
2. No step increases in the first year, but provides them for employees who are eligible in the second year. Step increases represent approximately a 2.7% increase. About half of these employees are at the maximum of their salary ranges and do not receive these increases.

   Step increases for Corrections Guards are approximately 2.9%, and 74% of guards are eligible for this increase, which are provided in the second year only.

   Step increases for Radio Communications Operators are approximately 2.7%, and 47% of these employees are eligible for this increase, which are provided in the second year only.

Other provisions continue:

3. The state will continue to match an employee's contribution to a deferred compensation account, to a maximum of $175 per year.
4. Continue to provide for employees' severance pay to be paid to their Health Care Savings Account.

Pay equity

Minnesota Management and Budget is required by Minnesota Statutes 43A.05 to report any employee classes that it has found to have inequities in compensation. The 2009 report by the Department identified no female-dominated classes in bargaining units represented by AFSCME that had inequities.

Corrections Early Retirement Incentive

State law permits certain employees in the Department of Corrections who have regular contact with inmates to retire early with full pension benefits. Through the collective bargaining process, those employees who retire early also receive state paid health insurance benefits until age 65. Over time, the legislature reduced the years of service required to qualify for the early retirement pension benefit from ten years to three. Because the provision of insurance benefits was tied to eligibility for the pension benefit, employees were also paid this benefit.
During the 2009 session, the Department of Corrections and MMB pursued legislation that would reinstate a ten year vesting period for the early retirement incentive, and apply that service requirement for eligibility for the insurance benefit as well. That legislation was not enacted.

Through the negotiations process for the proposed contract, MMB and AFSCME, Council 25, agreed to:

1. Permit current employees to continue to be able to retire early and receive the early retirement benefit and employer paid insurance contribution. Current employees will no longer be subject to a use it or lose it requirement that the benefit be taken during the pay period when they turn age 55. However, if they previously forfeited the benefit, they will not be eligible to reconsider that decision.
2. Require new employees to have ten years of service in a covered position at the time of retirement to be eligible for the employer paid health insurance contributions. Employees must serve in a covered position for the five years immediately preceding retirement to be eligible for the incentive.
3. Employees who leave a covered position and later return to covered position must have at least ten years of service and five years of service immediately preceding retirement to be eligible.

Settlement cost sheet

MMB estimates that the cost of the increases (steps, insurance, FICA, retirement contributions) provided in the AFSCME Council 5 contract will be 0.72% this biennium. The cost of these increases will add 2.10% 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 out that for AFSCME Council 5, $4.5 million of the total settlement cost of $12 million for this biennium results from legislation enacted in 2006 that increases the employer (and employee) contribution for the MSRS General Plan for employees' retirement by 0.25% per year over four years.

For the Corrections Unit, $2.9 million of the $4 million cost is for the pension increases mandated by the 2006 legislation. The MSRS rate increased by 1% in FY 2009, 2010 and 2011, and 1.12% in FY 08 .

For the Radio Communications Operators, this cost is $23,000 of the $59,000 settlement.

MAPE Contract

MMB reached a tentative settlement with the Minnesota Association of Professional Employees. MAPE represents approximately 12,500 employees. A copy of the contract is available at: http://www.commissions.leg.state.mn.us/lcer/MAPETentative2009.pdf

Financial provisions:

1. No across the board increases in either year.
2. No step increases in the first year, but provides them for employees who are eligible in the second year. Step increases represent approximately a 3.6% increase. About 44% of these employees are at the maximum of their salary ranges and do not receive these increases.

Other provisions continue:

3. The state will continue to match an employee's contribution to a deferred compensation account, to a maximum of $100 per year.
4. Employees continue to be eligible for achievement awards. These awards recognize achievement for outstanding performance. The award consists of a lump sum of $1,000 or a step increase. They can be granted to a maximum of 35% of the employees in an agency.

Pay equity

MMB is required by Minnesota Statutes 43A.05 to report any employee classes that it has found to have inequities in compensation. The 2009 report by the Department identified two female-dominated classes with 27 employees represented by MAPE that had inequities. MMB indicates that it will deal with those inequities outside of bargaining.

Settlement cost sheet

MMB estimates that the cost of the increases (steps, insurance, FICA, retirement contributions) provided in the MAPE contract will be 0.74% this biennium. The cost of these increases will add 2.16% 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 $5.6 million of the settlement cost of $14.5 million for this biennium results from legislation that increases the employer (and employee) contributions for the MSRS General Plan for employees' retirement.

Middle Management Association contract

MMB has reached an agreement with the Middle Management Association (MMA). This bargaining unit includes approximately 2,900 supervisors employed in all state agencies. A copy of this contract, in legislative format reflecting changes, can be found at: http://www.commissions.leg.state.mn.us/lcer/MMA0911.pdf

Financial provisions:

1. No across the board increases in either year.
2. No step increases in the first year, but provides them for employees who are eligible in the second year. Step increases represent approximately a 3.6% increase. About 64% of these employees are at the maximum of their salary ranges and do not receive these increases.

Other provisions continue:

3. The state continues to provide achievement awards of $1,600, or one step, to supervisors who demonstrate outstanding performance. Up to 40% of the employees may receive such an award.
4. The state continues making a matching contribution of $300 each year to the employee's deferred compensation account. Supervisors employed by MnSCU receive a match to the supervisor's supplemental retirement account of up to $1,700.
5. Supervisors employed by MnSCU continue to be able to take up to 20 credits tuition-free. However, the number of hours that the supervisor can share with dependents continues to be limited to 16 credits.

Settlement cost sheet

MMB estimates that the cost of the increases (steps, insurance, FICA, retirement contributions) provided in the MMA contract will be 0.61% this biennium. The cost of these increases will add 1.63% 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 $1.5 million of the settlement cost of $3.3 million for this biennium results from legislation that increases the employer (and employee) contributions for the MSRS General Plan for employees' retirement.

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) 7/1/2009	1/9/2010	7/1/2010	1/1/2011	BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO BIENNIUM (3)
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.