

**Subcommittee on Employee Relations
Legislative Coordinating Commission**



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DATE: August 1, 2012
TO: Members of the Subcommittee
FROM: Greg Hubinger
RE: AFSCME and MAPE contract summaries

Background

Minnesota Management and Budget (MMB) has reached tentative settlements with American Federation of State, County, and Municipal Employees, Council 5 (AFSCME) and the Minnesota Association of Professional Employees (MAPE.) These contracts are for the FY 12-13 biennium.

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.

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. 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.

The Legislature reviews proposed changes to benefits provisions as part of its overall review of proposed collective bargaining agreements. Because benefits are a term and condition of employment bargained in these agreements, the Legislature does not separately review the benefits program.

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

Insurance changes become effective January 1, 2013.

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

1. No changes to the underlying plan design.
2. Co-pays, deductibles and co-insurance amount are increased. A comparison chart develop by the unions is attached.
3. The employer will continue to pay 100% of the employee premium, and 85% of dependent coverage.
4. Premiums are estimated to increase by approximately 9.0% in CY 13.
5. Several technical changes are made to definitions:
 - a. (Dependent) spouse: Must be “married under Minnesota law,” previously provided “if not legally separated.”
 - b. (Dependent) child: Provide coverage to age 26. Clarify that foster children must have been placed by an authorized placement agency, or by a judgment, decree, or other court order. For a step-child, the employee must be legally married to the child’s legal parent or guardian.
 - c. (Dependent) Grandchildren. Continues provisions providing for dependent coverage for grandchildren who are adopted or placed in the legal custody of the employee. Clarifies that otherwise, dependent grandchildren are eligible if they have resided with the employee since birth, or if the grandchild is the child of the employee’s unmarried child, the grandchild is eligible for coverage until age 19.

AFSCME Contract

MMB has reached a tentative settlement with the American Federation of State, County, and Municipal Employees (AFSCME Council 5). AFSCME represents approximately 15,100 employees in five bargaining units:

- Clerical, Maintenance and Labor (Unit 6)
- Technical (Unit 7)
- Health care non-professionals (Unit 4)
- Craft (Unit 2)
- Service (Unit 3)

The settlement does not include the Correctional Officers bargaining unit and the Radio Communications Operators unit. These units include approximately 1,900 guards at state correctional facilities, and 66 radio communications operators.

The contract, in legislative format, is available on the web at:

<http://www.commissions.leg.state.mn.us/lcer/contracts/AFSCME2012-2013draftcontract.pdf>

Note that this version has a corrected page 19-20 from MMB from what was originally posted to the web site. The changes correct the dates revisions to the health insurance program are effective.

The contract is effective July 1, 2011.

Financial provisions:

1. A 2% across the board increase is effective January 2, 2013.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 2.7% increase. About half of employees are at the maximum of their salary ranges and do not receive these increases.

Non-financial provisions

3. Extend voting leave to include elections for Minnesota representatives and senators (from current language specifying elections including U.S. representatives.)
4. Require that for an employee who has received an oral reprimand, references to the reprimand will be removed from the employee's file if there has been no further discipline for one year.

Other provisions continue unchanged for employees to:

5. Receive ten holidays and one floating holiday per year.
6. Receive thirteen days of paid sick leave per year.
7. Earn between 13 (entry level) and 29 (with 30 years of service) days of vacation leave per year, depending on length of service.
8. Receive a state match to an employee's contribution to a deferred compensation account, to a maximum of \$175 per year.
9. Receive a shift differential of \$0.65 per hour for shifts scheduled to begin before 6 AM or end after 7 PM.
10. Receive severance if they meet eligibility criteria (based on length of service and eligibility for retirement benefits) Severance is calculated at 40% of the first 900 hours of the employee's sick leave balance, and 12.5% of the remainder. Employees are also paid for unused vacation leave, up to 260 hours.

11. Maintain supplemental agreements with many agencies with provisions that apply to agency specific needs. (See contract pages: Admin -1 to Zoo-4, approximately 400 pages.)

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 2011 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.

In previous contract negotiations, MMB and AFSCME, agreed to:

1. Permit employees covered under the contract prior to July 1, 2009 to continue to be able to retire early and receive the early retirement benefit and employer-paid insurance contribution. These 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.
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.

Under the proposed contract, a provision requiring an employee who turned 55 prior to July 1, 2009 and elected not to retire and take the incentive during the payperiod when they turned 55 is eliminated.

Settlement cost sheet

MMB estimates that the cost of the increases (across the board increases, steps, insurance, FICA, retirement contributions) provided in the AFSCME Council 5 contract will be 1.34% this biennium. The cost of these increases will add 4.73% 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.) For purposes of comparison, these costs are summarized in a settlement tracking sheet that is attached.

In order to provide another point of comparison, also attached is the settlement sheet for the previous biennium. Those contracts provided no across the board increases, and a step increase in the second year only.

MAPE Contract

MMB reached a tentative settlement with the Minnesota Association of Professional Employees. MAPE represents approximately 12,600 employees. A copy of the contract is available at:

<http://www.lcc.leg.mn/temp/Draft%202011-2013%20MAPE%20Contract.pdf>

The contract is effective July 1, 2011.

Financial provisions:

1. A 2% across the board increase effective January 2, 2013.
2. Step increases in each year for employees who are eligible. Step increases represent approximately a 3.5% increase. About 42% of these employees are at the maximum of their salary ranges and do not receive these increases.

Non-financial provisions:

3. Extend voting leave to include elections for Minnesota representatives and senators (from current language specifying elections including U.S. representatives.)
4. Expand existing requirement that all covered employees contribute 1% of their salaries to the Health Care Savings Plan. Previously, only required that employees with more than five years of service make this contribution.)

Other provisions continue unchanged for employees to:

5. Receive ten holidays and one floating holiday per year
6. Receive thirteen days of paid sick leave per year.
7. Earn between 13 (entry level) and 29 (30 years of service) days of vacation leave per year, depending on length of service. (Clarify that calculations of vacation leave accrual rates, which previously could include immediately preceding public sector employment, may now also consider employment four years prior to appointment date.)
8. Receive a state match to an employee's contribution to a deferred compensation account, to a maximum of \$100 per year.
9. Receive severance if they meet eligibility criteria (based on length of service and eligibility for retirement benefits)

10. Employees continue to be eligible for achievement awards. These awards recognize achievement for outstanding performance. The award consists of a lump sum of up to \$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 2011 report by the Department identified no female dominated classes represented by MAPE that had inequities.

Corrections Early Retirement Incentive

Continue an early retirement incentive for certain Department of Corrections employees. (see previous summary under the AFSCME contract.) However, employees represented by MAPE who opt for the pre-55 incentive continue to be required to be in a covered classification in the preceding three years of their retirement.

Settlement cost sheet

MMB estimates that the cost of the increases (across the board increases, steps, insurance, FICA, retirement contributions) provided in the MAPE contract will be 1.82% this biennium. The cost of these increases will add 5.54% 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.) These costs are included in the settlement tracking sheet.

Attachments: 2012-13 Settlement sheet
2010-11 Settlement sheet
Comparison of changes to co-pays and deductibles
AFSCME and MAPE history of ATBs and steps

STATE EMPLOYEE SALARY SETTLEMENTS

FY 2012-2013 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

August 1, 2012

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	%	% INCREASE BIENNIUM TO BIENNIUM (3)
	7/1/2011	1/1/2012	7/1/2012	1/2/2013				
AFSCME, Council 5				2.0%	\$1,653,727,000	\$22,147,000	1.34%	4.73%
AFSCME, Unit 8, Correctional Guards								
AFSCME, Unit 25, Radio Communications Oper								
MN Association of Professional Employees				2.0%	\$2,014,638,000	\$36,667,000	1.82%	5.54%
Middle Management Association								
MN Government Engineers Council								
Minnesota Nurses Association								
MN Law Enforcement Association								
State Residential Schools Education Assoc								
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								
Commissioners Plan (4)								
Office of Legislative Auditor								
TOTAL					\$3,668,365,000	\$58,814,000	1.60%	5.14%

The ">" indicates proposed contract or plan not yet acted on by the Subcommittee.

- (1) Includes all funds, including higher education agencies. Includes across the board salary increases, 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.

STATE EMPLOYEE SALARY SETTLEMENTS

FY 2010-2011 ESTIMATED COSTS

LCC Subcommittee on Employee Relations

December 16, 2009

Bargaining Unit	Across the board increases (% increase)				BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO BIENNIUM (3)
	7/1/2009	1/9/2010	7/1/2010	1/1/2011				
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					\$174,067,000	\$1,033,000	0.59%	1.55%
Minnesota Nurses Association					\$135,168,000	\$1,111,000	0.82%	2.47%
MN Law Enforcement Association					\$128,088,000	\$1,504,000	1.17%	2.46%
State Residential Schools Education Assoc					\$32,222,000	\$324,000	1.01%	2.63%
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					\$6,940,662,937	\$39,545,161	0.57%	1.69%

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.

**AFSCME COUNCIL 5 (UNITS 2, 3, 4, 6, & 7) & STATE OF MINNESOTA
TENTATIVE AGREEMENT SUMMARY**

MINNESOTA ADVANTAGE HEALTH PLAN BENEFITS SCHEDULE – EFFECTIVE 1-1-2013

2011-2013 Benefit Provision	Cost Level 1 – You Pay	Cost Level 2 – You Pay	Cost Level 3 – You Pay	Cost Level 4 – You Pay
A. Preventive Care Services <ul style="list-style-type: none"> Routine medical exams, cancer screening Child health preventive services, routine immunizations Prenatal and postnatal care and exams Adult immunizations Routine eye and hearing exams 	Nothing	Nothing	Nothing	Nothing
B. Annual First Dollar Deductible (single/family)	\$50/\$100 <u>\$75/\$150</u>	\$140/\$280 <u>\$180/\$360</u>	\$350/\$700 <u>\$400/\$800</u>	\$600/\$1,200 <u>\$1,000/\$2,000</u>
C. Office visits for illness/injury, for Outpatient Physical, Occupational or Speech Therapy, and Urgent Care within the service area <ul style="list-style-type: none"> Outpatient visits in a physician's office Chiropractic services Outpatient mental health and chemical dependency 	\$17/22* <u>\$18/23*</u> copay per visit Annual deductible applies	\$22/27* <u>\$23/28*</u> copay per visit Annual deductible applies	\$27/32* <u>\$36/41*</u> copay per visit Annual deductible applies	\$37/42* <u>\$55/60*</u> copay per visit Annual deductible applies
D. Convenience Clinics	\$10 copay	\$10 copay	\$10 copay	\$10 copay
E. Emergency Care (in service area) <ul style="list-style-type: none"> Emergency care received in a hospital emergency room 	\$75 <u>\$100</u> copay Annual deductible applies	\$75 <u>\$100</u> copay Annual deductible applies	\$75 <u>\$100</u> copay Annual deductible applies	\$75 <u>\$100</u> copay Annual deductible applies
F. Inpatient Hospital Copay	\$85 <u>\$100</u> copay Annual deductible applies	\$180 <u>\$200</u> copay Annual deductible applies	\$220 <u>\$500</u> copay Annual deductible applies	25% coinsurance Annual deductible applies
G. Outpatient Surgery Copay	\$55 <u>\$60</u> copay Annual deductible applies	\$110 <u>\$120</u> copay Annual deductible applies	\$220 <u>\$250</u> copay Annual deductible applies	25% coinsurance Annual deductible applies
H. Hospice and Skilled Nursing Facility	Nothing	Nothing	Nothing	Nothing
I. Prosthetics, Durable Medical Equipment	20% coinsurance	20% coinsurance	20% coinsurance	25% coinsurance Annual deductible applies
J. Lab (including allergy shots), Pathology, and X-ray (not included as part of preventive care and not subject to office visit or facility copayments)	5% coinsurance Annual deductible applies	5% coinsurance Annual deductible applies	10% <u>20%</u> coinsurance Annual deductible applies	25% coinsurance Annual deductible applies
K. MRI/CT Scans	5% coinsurance Annual deductible applies	5% <u>10%</u> coinsurance Annual deductible applies	10% <u>20%</u> coinsurance Annual deductible applies	25% coinsurance Annual deductible applies
L. Other expenses not covered in A-K above, including but not limited to: <ul style="list-style-type: none"> Ambulance Home Health Care Outpatient Hospital Services (non-surgical) <ul style="list-style-type: none"> Radiation/chemotherapy Dialysis Day treatment for mental health and chemical dependency Other diagnostic or treatment related outpatient services 	5% coinsurance Annual deductible applies	5% coinsurance Annual deductible applies	10% <u>20%</u> coinsurance Annual deductible applies	25% coinsurance Annual deductible applies
M. Prescription Drugs <ul style="list-style-type: none"> 30-day supply of Tier 1, Tier 2 or Tier 3 prescription drugs, including insulin or a 3-cycle supply of oral contraceptives 	\$10/\$16/\$36 <u>\$12/\$18/\$38</u>	\$10/\$16/\$36 <u>\$12/\$18/\$38</u>	\$10/\$16/\$36 <u>\$12/\$18/\$38</u>	\$10/\$16/\$36 <u>\$12/\$18/\$38</u>
N. Plan Maximum Out-of-Pocket Expense for Prescription Drugs (excludes PKU, infertility, growth hormones) (single/family)	\$800/\$1,600	\$800/\$1,600	\$800/\$1,600	\$800/\$1,600
O. Plan Maximum Out-of-Pocket Expense (excluding prescription drugs) (single/family)	\$1,100/\$2,200	\$1,100/\$2,200	\$1,100/\$2,200 <u>\$1,500/\$3,000</u>	\$1,100/\$2,200 <u>\$2,500/\$5,000</u>

*The level of the office visit copayment for the employee and his or her family is dependent upon whether the employee has completed the Health Assessment in each Open Enrollment period, and opted-in for any indicated health coaching. Employees who have completed the Health Assessment and opted-in for health coaching are entitled to the lower copayment. Employees hired after the close of Open Enrollment will be entitled to the lower copayment.

This chart applies only to in-network coverage. See plan documents for Out-of-Network availability and coverage differences.

State salary contracts and plans comparisons

Legislative Coordinating Commission

June 26, 2012

	FY2001	FY2002	FY2003	FY2004 ¹	FY2005 ¹	FY2006	FY2007	FY2008	FY2009	FY2010	FY2011	Proposed	
												FY2012	FY2013
American Federation of State, County and Municipal Employees, Council 5													
ATB ⁵	3.00%	3.50%	3.50%	0.00%	0.00%	2.00%	2.00%	3.25%	3.25%	0.00%	0.00%	0.00%	2.00%
step ²	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	2.75%	0.00%	2.75%	2.75%	2.75%
Total	5.75%	6.25%	6.25%	2.75%	2.75%	4.75%	4.75%	6.00%	6.00%	0.00%	2.75%	2.75%	4.75%
Minnesota Association of Professional Employees													
ATB	3.00%	3.00%	3.00%	0.00%	0.00%	2.00%	2.00%	3.25%	3.25%	0.00%	0.00%	0.00%	2.00%
step ³	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	3.50%	0.00%	3.50%	3.50%	3.50%
Total	6.50%	6.50%	6.50%	3.50%	3.50%	5.50%	5.50%	6.75%	6.75%	0.00%	3.50%	3.50%	5.50%

2 Approximately 50% of AFSCME employees are at the top of their salary ranges and do not receive step increases

Employees in several AFSCME employee classes receive step increases biennially until they reach certain points in their range.

3 Approximately 50% of MAPE employees are at the top of their salary ranges and do not receive step increases

4 Contracts with Teamsters (clerical/administrative/technical) and AFSCME each provide the same ATBs and steps averaging 3.0%, although there is some variation between 2.5% and 3.1%.

5 "COLA" means "cost of living adjustment, "ATB" means "across the board increase." They represent increases generally granted to all employees.

6 Commissioner's Plan and Managerial Plan employees are eligible for performance based increases.

59% of Commissioner's Plan and 48% of Managerial Plan employees are at their range maximum and not eligible for these increases

7 This chart compares general increases in salaries only. It does not include other increases such as promotions, work out of class, extra duty pay, or stipends. The chart does not compare increases or changes to salary ranges.