Subcommittee on Employee Relations
Legislative Coordinating Commission

72 State Office Building St. Paul, MN 55155-1201 Phone: (651) 296-2963 or (651) 296-9002 Fax: (651) 297-3697
TDD (651) 296-9896 www.ser.leg.mn

Date: March 4, 2016

To: Members of the Subcommittee

From: Greg Hubinger

Re: Commissioners and Managerial compensation plans

A member of the Subcommittee has indicated their intent in having the SER reconsider the Commissioner and Managerial compensation plans.

The Subcommittee originally heard the proposed FY 16-17 Commissioners and Managerial Plans at its October 29, 2015 hearing. A motion to approve the plans failed. A motion to amend the 14-15 Plans to implement the CY 16 SEGIP insurance provisions was adopted. At the January 15, 2016 meeting, MMB staff discussed technical corrections that were needed to the two plans. The Subcommittee took no action.

Apart from the CY 2016 insurance provisions approved by the Subcommittee, terms and conditions of employment for these employees are determined under the FY 14-15 plans.

These are the summaries of the two plans provided earlier:

Commissioners Plan
The Commissioners Plan establishes terms and conditions of employment for about 1,200 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.ser.leg.mn/contracts/16-17/Commissioner's_Plan_FY_16-17.pdf

This plan also covers medical specialists, whose benefits are determined in a separate appendix to the Commissioners Plan: http://www.ser.leg.mn/contracts/16-17/Medical_Specialists_FY_16-17.pdf

Financial provisions:

- 2.5% across the board increases effective July 1, 2015 and July 1, 2016.
- Continue annual performance-based increases effective December 30, 2015 and December 28, 2016. Employees may receive increases up to 3.5%. The employee's salary may not exceed the maximum of their salary range. Approximately 40% of employees are eligible for these increases. The Commissioner may eliminate or delay the implementation of these increases, or reduce the salary limit (i.e., below the 3.5% limit).

Non-financial provisions

- Modify calculation of severance pay (pay out of unused sick leave at termination). Similar to the proposed AFCSCME contract, change the current formula that pays 40% of the first 900 hours of the unused sick leave balance and 12.5% of the remainder, to a new formula that pays 35% of the entire sick leave balance.

Other provisions:

- Continue provision providing for an employer match of up to $300 per year to a deferred compensation account, or permitting an employee to convert up to 40 hours of vacation leave to their deferred compensation account.
- Employees continue to be eligible for achievement awards. These awards recognize achievement for outstanding performance. The maximum award is $2,000. The pool of funds available is $500 times the number of eligible employees.
- Provisions in the Medical Specialists addendum parallel those in the Commissioner's Plan, except the hiring incentive may continue to be provided to an employee in difficult to fill positions if necessary to retain them.

Settlement Cost Sheet

MMB estimates that the cost of the increases (across the board increases, performance-based increases, insurance, FICA, retirement contributions) provided in this plan will be 3.05% this biennium. The cost of these increases will add 4.19% 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.)

Managerial Plan

The Managerial Plan establishes terms and conditions of employment for about 1,400 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.ser.leg.mn/contracts/16-17/Managerial_Plan_FY_16-17.pdf

Financial provisions:

- 2.5% across the board increases effective July 1, 2015 and July 1 2016 if managers meet performance standards.
- Continue annual performance-based increases effective December 30, 2015 and December 28, 2016. Managers may receive increases up to 3.5%. The manager's salary may not exceed the maximum of their salary range. Approximately 40% of managers are eligible for these increases. The Commissioner may eliminate or delay the implementation of these increases, or reduce the salary limit (i.e., below the 3.5% limit).

Other provisions:

- Continue provision providing for an employer match of up to $300 per year to a deferred compensation account, or permitting a manager to convert up to 50 hours of vacation leave to their deferred compensation account.
- Managers continue to be eligible for achievement awards. These awards recognize achievement for outstanding performance. The maximum award is $2,000. The pool of funds available is $500 times the number of eligible employees.
- Changes to the insurance provisions are the same as those provided in the collective bargaining agreements.

Settlement Cost Sheet

MMB estimates that the cost of the increases (across the board increases, performance-based increases, insurance, FICA, retirement contributions) provided in this plan will be 4.49% this biennium. The cost of these increases will add 7.04% 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 settlement cost sheet attached to this memo reflects the costs of these plans as proposed by MMB.
Also attached is a copy of the technical clarifications MMB discussed at the January 15th meeting.

Please let me know if you have any questions.

Attach: Settlement sheet
Technical corrections

STATE EMPLOYEE SALARY SETTLEMENTS

FY 16-17 ESTIMATED COSTS

LCC Subcommittee on Employee Relations
March 3, 2016
Contracts and Plans as submitted

Bargaining Unit	Across the board increases (% increase) 7/1/2015	1/1/2016	7/1/2016	1/1/2017	BIENNIAL BASE(1)	BIENNIAL NEW MONEY (1)	% INCREASE (2)	% INCREASE BIENNIUM TO BIENNIUM (3)	$ IMPACT ON NEXT BIENNIUM
(5) AFSCME, Council 5	2.50%		2.50%		$ 1,816,059,000	$ 90,145,000	4.96%	8.39%	$152,367,350
(6) AFSCME, Unit 8, Correctional Guards	2.50%		2.50%		$ 294,490,000	$ 9,636,000	3.27%	4.94%	$14,547,806
(5) AFSCME, Unit 25, Radio Communications Oper	2.50%		2.50%		$ 8,476,000	$ 423,000	4.99%	8.37%	$709,441
(5) MN Association of Professional Employees	2.50%		2.50%		$ 2,399,809,000	$ 121,437,000	5.06%	8.45%	$202,783,861
(5) Middle Management Association	2.50%		2.50%		$ 623,882,000	$ 26,968,000	4.32%	6.94%	$43,297,411
MN Government Engineering Council					$ 203,259,000				
(6) Minnesota Nurses Association	2.50%		2.50%		$ 160,981,000	$ 9,018,000	5.60%	9.52%	$15,325,391
(6) MN Law Enforcement Association	2.50%		2.50%		$ 148,932,000	$ 6,419,000	4.31%	6.85%	$10,201,842
(6) State Residential Schools Education Assoc	2.50%		2.50%		$ 30,861,000	$ 1,900,000	6.16%	10.73%	$3,311,385
Service Employees International Union					$ 936,416,185	$ 16,200,000	1.73%		
(6) State University Inter Faculty Organization	2.20%		1.00%		$ 579,853,722	$ 23,378,059	4.03%	6.29%	$36,472,799
(6) MN State University Assoc of Admin & Service Faculty	1.50%		1.10%		$ 127,771,687	$ 4,259,614	3.33%	5.72%	$7,308,540
Minnesota State College Faculty				1.25%	$ 791,786,418	$ 30,033,409	3.79%	6.42%	$50,832,688
(6) Personnel Plan for MnSCU administrators					$ 178,926,025	$ 5,872,462	3.28%	4.84%	$8,660,020
Personnel Plan for St Bd of Invest employees					$ 3,305,402	$ 249,124	7.54%		
(8) Office of Higher Education Plan	2.50%		2.50%		$ 6,849,000	$ 423,000	6.18%	10.54%	$721,885
(7) Managerial Plan	2.50%		2.50%		$ 366,422,000	$ 16,463,000	4.49%	7.04%	$25,796,109
(7) Commissioners Plan (4)	2.50%		2.50%		$ 226,847,000	$ 6,923,000	3.05%	4.19%	$9,504,889
Office of Legislative Auditor					$ 9,992,128				
MnSure Compensation Plan					$ 5,928,584				
TOTAL					$8,920,847,151	$369,747,668	4.14%	6.52%	$ 581,841,417

The ">" indicates proposed contract or plan not yet acted on by the Subcommittee.
The "*" indicates the proposed contract or plan has not been ratified by the Legislature

(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.
(5) These contracts were not given interim approval by the Subcommittee, and so will be effective 30 days after their October 29, 2015 submission to the SER.
(6) These contracts and plan were given interim approval by the Subcommittee and were implemented immediately.
(7) These plans were not given interim approval and were not implemented. The costs have not been recalculated.

Original Language

Vacation Leave Liquidation. An eligible employee who has completed six (6) months of continuous vacation eligible service and either separates from State service or moves to a vacation-ineligible position shall be compensated in cash, at the employee's current rate of pay, for all accumulated and unused vacation leave up to a maximum of two hundred sixty (260) hours (two-hundred seventy-five (275) hours for Health Treatment Professionals). The maximum cap shall not apply in situations where the payout is due to the employee's death.

Effective January 1, 2014, an employee who separates from State service with ten (10) or more years of continuous State service shall have unused vacation hours placed in an individual Minnesota State Retirement System Health Care Savings Plan account.

An employee who does not meet the ten (10) year continuous State service requirement or whose combined vacation and severance payout is less than two hundred dollars ($200.00) may choose to:

- Be paid in a lump sum at the time of eligible separation;
- Arrange for a one-time deferred compensation or tax sheltered annuity deduction, provided the employee satisfies all requirements of the administrator or the deferred compensation plan or tax-sheltered annuity; or
- A combination of both.

As Submitted to LCC

Vacation Leave Liquidation. An eligible employee ~~who has completed six (6) months of continuous vacation eligible service and either~~ with less than ten (1) years of continuous service who separates from State service or moves to a vacation-ineligible position shall be compensated in cash, at the employee's current rate of pay, for all accumulated and unused vacation leave up to a maximum of two hundred sixty (260) hours (two-hundred seventy-five (275) hours for Health Treatment Professionals). The maximum cap shall not apply in situations where the payout is due to the employee's death.

~~Effective January 1, 2014,~~ An employee who separates from State service with ten (10) or more years of continuous State service shall have unused vacation hours placed in an individual Minnesota State Retirement System Health Care Savings Plan account.

An employee who does not meet the ten (10) year continuous State service requirement or whose combined vacation and severance payout is less than ~~two~~ five hundred dollars ($~~2~~500.00) may choose to:

- Be paid in a lump sum at the time of eligible separation;
- Arrange for a one-time deferred compensation or tax sheltered annuity deduction, provided the employee satisfies all requirements of the administrator or the deferred compensation plan or tax-sheltered annuity; or
- A combination of both.

Proposed Change

see 4.4

Vacation Leave Liquidation. An eligible employee ~~who has completed six (6) months of continuous vacation eligible service and either—with less than ten (1) years of continuous service~~ who separates from State service or moves to a vacation-ineligible position shall be compensated as detailed below ~~in cash~~, at the employee's current rate of pay, for all accumulated and unused vacation leave up to a maximum of two hundred sixty (260) hours (two-hundred seventy-five (275) hours for Health Treatment Professionals). The maximum cap shall not apply in situations where the payout is due to the employee's death.

~~Effective January 1, 2014,~~ An employee who separates from State service with ten (10) or more years of continuous State service shall have unused vacation hours placed in an individual Minnesota State Retirement System Health Care Savings Plan account.

An employee who does not meet the ten (10) year continuous State service requirement or whose combined vacation and severance payout is less than ~~two~~ five hundred dollars ($~~2~~500.00) may choose to:

- Be paid in a lump sum at the time of eligible separation;
- Arrange for a one-time deferred compensation or tax sheltered annuity deduction, provided the employee satisfies all requirements of the administrator or the deferred compensation plan or tax-sheltered annuity; or
- A combination of both.

Mgr Plan

Original Language

Vacation Leave Liquidation. An eligible manager who separates from State service or moves to a vacation-ineligible position shall be compensated, at the manager's current rate of pay, for all accumulated and unused vacation leave up to a maximum of two hundred seventy-five (275) hours. The maximum cap shall not apply in situations where the payout is due to the employee's death. Vacation leave may not be used in combination with unpaid leave on separation from State service to extend insurance coverage. A manager who is placed on emergency layoff shall not have his/her accumulated vacation liquidated.

A manager who is laid off or dies shall receive vacation in cash.

A manager who separates from State service with ten (10) or more years of continuous State service shall have unused vacation hours placed in an individual Minnesota State Retirement System Health Care Savings Plan account.

A manager who does not meet the ten (10) year continuous State service requirement or whose combined vacation and severance payout is less than two hundred dollars ($200), may choose to:

- be paid in a lump sum at the time of eligible separation;
- arrange for a one-time deferred compensation or tax-sheltered annuity deduction, provided the manager satisfies all requirements of the administrator or the deferred compensation plan or tax-sheltered annuity; or
- a combination of both.

As Submitted to LCC

Vacation Leave Liquidation. An eligible manager with less than ten (10) years of continuous service who separates from State service or moves to a vacation-ineligible position shall be compensated, at the manager's current rate of pay, for all accumulated and unused vacation leave up to a maximum of two hundred seventy-five (275) hours. The maximum cap shall not apply in situations where the payout is due to the employee's death. Vacation leave may not be used in combination with unpaid leave on separation from State service to extend insurance coverage. A manager who is placed on emergency layoff shall not have his/her accumulated vacation liquidated.

A manager who is laid off or dies shall receive vacation in cash.

A manager who separates from State service with ten (10) or more years of continuous State service shall have unused vacation hours placed in an individual Minnesota State Retirement System Health Care Savings Plan account.

A manager who does not meet the ten (10) year continuous State service requirement or whose combined vacation and severance payout is less than five hundred dollars ($500), may choose to:

- be paid in a lump sum at the time of eligible separation;
- arrange for a one-time deferred compensation or tax-sheltered annuity deduction, provided the manager satisfies all requirements of the administrator or the deferred compensation plan or tax-sheltered annuity; or
- a combination of both.

Proposed Change

Vacation Leave Liquidation. An eligible manager ~~with less than ten (10) years of continuous service~~ who separates from State service or moves to a vacation-ineligible position shall be compensated, as detailed below, at the manager's current rate of pay, for all accumulated and unused vacation leave up to a maximum of two hundred seventy-five (275) hours. The maximum cap shall not apply in situations where the payout is due to the employee's death. Vacation leave may not be used in combination with unpaid leave on separation from State service to extend insurance coverage. A manager who is placed on emergency layoff shall not have his/her accumulated vacation liquidated.

A manager who is laid off or dies shall receive vacation in cash.

A manager who separates from State service with ten (10) or more years of continuous State service shall have unused vacation hours placed in an individual Minnesota State Retirement System Health Care Savings Plan account.

A manager who does not meet the ten (10) year continuous State service requirement or whose combined vacation and severance payout is less than five hundred dollars ($500), may choose to:

- be paid in a lump sum at the time of eligible separation;
- arrange for a one-time deferred compensation or tax-sheltered annuity deduction, provided the manager satisfies all requirements of the administrator or the deferred compensation plan or tax-sheltered annuity; or
- a combination of both.