



Dear Chair Her and Vice Chair Frentz,

HF 5040 / SF 4643 proposes an entirely novel approach to the compensation of retirement system executive directors. This letter seeks to avoid any misunderstanding on how this bill language fits within the accountability structures of salary range assignment in the Managerial Plan and notes opportunities to better align with other practices across the executive branch.

Minnesota Management and Budget (MMB) understands the desires of the Pensions Commission to establish rates of pay that will attract and retain the same caliber of candidates that the retirement systems have long enjoyed. This is not a unique or novel desire; it describes the desires of every board, agency, and commission within the state. MMB has the expertise and authority to appropriately place positions within the broader compensation structure that it is charged with maintaining and must explain and defend each of those decisions for every position within the Managerial Plan and elsewhere. Alternatively, if it is the desire of the legislature to grant this authority to select the salary range to the retirement system boards for their executive director, there is the opportunity to do so more clearly and consistent with other similar exceptions in law.

#### Background on the Role of Minnesota Management and Budget in Executive Branch Employee Compensation and Classification

The Commissioner of MMB is the chief personnel officer of the State. The Commissioner oversees compensation and classification for all employees within the executive branch, and holds the sole authority to, among other duties (1) create, amend, or abolish job classifications (2) determine whether job classifications are managerial or whether they should be placed within a represented bargaining unit; and (3) the compensation range to assign any specific job classification to. To maintain pay equity and the integrity of the classification and compensation system, Mn Stat 43A and Mn Rules 3900 provide the criteria that MMB must consider when determining compensation for any job classification, including pay equity internally within an agency and across agencies and market factors. This is true for positions from groundskeepers through executive directors. Included in this is the Managerial Plan which is written and maintained exclusively by MMB for executive branch employees in managerial positions. MMB currently is the entity ultimately responsible to explain and defend each provision within it, including defending that each position and salary assignment was made in line with the other statutory guidance regarding classification and compensation.

#### Relevant Exceptions for Other Executive Branch Entities

In a few, limited circumstances the legislature had provided for other means of establishing compensation. For example, most commissioners and agency heads have a salary that will be determined going forward by an independent compensation council. Certain other entities have received statutory authority to maintain their own compensation plans outside the broader state system (SBI, MnSure, Office of Higher Education) but these plans are each reviewed and approved by MMB before becoming effective.

#### Novel Approach Currently in HF 5050 / SF 4643 – Concerns on Retirement System Board Authority to Establish a Salary Range in the Managerial Plan

There is no current instance, anywhere within the executive branch, where an entity has the authority to dictate how the managerial plan compensation provisions apply to positions under that entity's control. The language within the pensions bill proposes an entirely new approach that dilutes the long-established role and authority of the Commissioner of MMB and establishes a salary range with no oversight or approval above the board.

If this language were enacted, the boards would have carte blanche authority to assign the executive directors to salary range with a maximum annual rate of \$277,537. This rate far exceeds the pay for any other employee currently within the Managerial Plan. However, it is not the salaries *per se* that MMB is concerned about; it is the perception that MMB has approved placement of a classification within a salary range that it had no hand in establishing. MMB also has significant concerns that this language, if adopted for these three employees, could be pursued by other employees who do not want to be confined by the pay equity and other considerations that would otherwise apply to classifications within the Managerial Plan. If it is the desire of the legislature to grant the authority for salary range selection outside of MMB processes, an alternate recommendation is listed below on how this could be more clearly established in law.

#### Recommendation #1: Align Range Setting Authority within Managerial Plan

A resolution we have proposed to align this bill with other managerial positions would be for MMB to retain the authority to determine the salary range and then direct the relevant board to select an appropriate salary for the executive director. This could be accomplished with the following:

The board must set the salary of the executive director within a range established by the commissioner of Minnesota management and budget pursuant to 43A.18 Subd 3.

#### Recommendation #2: Align an Exception without Reference to Managerial Plan

As noted above there are also limited circumstances where statute provides for an alternate and clearly distinct authority to determine certain executive branch employees' compensation. This could be accomplished with the following to avoid misperception with MMB's salary range determination in the Managerial Plan and could also be accompanied by more clearly specified guardrails the legislature finds appropriate:

The board shall review the performance of the executive director on an annual basis and may grant salary adjustments as a result of such review.

MMB stands ready for continued work on these provisions in the bill. We regret having not identified these issues earlier on in the process of assembling this bill and will be grateful for any additional opportunity to address our concerns.

Sincerely,



Erin Campbell  
Commissioner