CHAPTER I

EXECUTIVE SUMMARY

04 - 0273

A. Background

The Minnesota Retirement Systems include Teacher's Retirement Association, Minnesota State Retirement System, Public Employees Retirement Association and a related agency, the State Board of Investment. Beginning in the fall of 1997, these four agencies, collectively referred to as the Minnesota Retirement Systems or "Systems," began to study the feasibility of collocating in a new facility in the Greater St. Paul area. That study has culminated in this report submitted to the Minnesota State Legislature in January 1999.

The agencies currently occupy space in five different buildings with varying lease expiration dates from the year 2000 through the spring of 2001. The agencies have for many years identified a number of operational efficiencies that could result in providing improved levels of service to their clientele. This could also reduce annual operating costs if all related agencies were collocated in the same building. This report further develops these concepts, explores alternatives and presents a comprehensive feasibility study which proposes to collocate these agencies along with expansion of space to be leased to other State tenants in a new facility. The site will be selected based on a thorough site selection study assuming Legislative approval by May 1999.

B. Summary of Findings and Recommendations

1. Space Needs

This study concludes that it is not only functionally desirable and operationally efficient but it is also economically advantageous for the Minnesota Retirement Systems to consolidate in a new facility that would be developed with Systems funds. This requires no capital appropriation by the Minnesota State Legislature. No debt will be issued and no capital appropriation is required.

The facility would accommodate the Minnesota Retirement Systems with initial occupancy to accommodate growth through the year 2010 and provide expansion space to allow growth of the agencies from the year 2010 through the year 2040. This reflects a building with an anticipated minimum functional life of 40 years to support the Minnesota Retirement Systems. The building will support growth beyond the year 2010 by providing additional space which would be initially occupied by a few agencies of the Minnesota State government who would otherwise need to lease space in a variety of commercial buildings in the St. Paul area.

The project would provide a total of 104,000 net square feet (NSF) in a building of 131,000 gross square feet (GSF). A summary of the development concept is presented in Exhibit I.1 for review.

- Collocate:
  - » Teachers Retirement
  - » State Retirement
  - » Public Employees Retirement
  - » State Investment Board
- Build for 40-year Expansion
- Lease Expansion Space 18,000 SF
- Occupy for 10-year Growth 86,000 SF
- Building Total 104,000 SF
- Efficiency, Net-to-gross 80%
- Parking Allocation 85%
- Parking Spaces 430
- Implement with Design/Build Competition
- Occupancy July - November 2001

2. The Location

A specific location is not being proposed for the facility at this time. This will provide the State maximum negotiating strength when evaluating and then finally selecting a site after anticipated Legislative approval. During the fall of 1998, the Department of Administration identified and a number of sites known to the State and a number proposed by the City of St. Paul. For a variety of reasons as presented in Chapter V, none of those sites identified met the site selection criteria established by the Agencies and remain as valid alternatives.

At this time, the State (Department of Administration) has identified a number of "suburban" sites surrounding the City of St. Paul. These sites generally meet all of the site evaluation criteria and are available for procurement at or below the cost included in the cost estimate presented in Chapter VI.

It is recommended that the Legislature approve this project for implementation and authorize the Department of Administration to further evaluate sites, negotiate terms for procurement, and make available a preferred site so that a design/build competition can be initiated during the summer of 1999.

3. Cost

A comprehensive cost estimate has been developed for the construction of the facility. Details are provided in Chapter VI. The complete development cost is estimated at $32,076,700. This is briefly summarized in Exhibit I.2 for review.

C. Financial Analysis

A comprehensive financial analysis comparing the 30 year cost of ownership to the cost of leasing was prepared by the Department of Administration. Details are presented in Chapter VI. In summary, the analysis found that ownership would reduce costs over a 30 year time frame by $20,503,330 from the cost of leasing.

D. Recommended Implementation Procedure

The space requirements program for the Retirement Systems Building has been completed by The SGS Group and approved by the Minnesota Retirement Systems. Detailed design and performance criteria will be developed as soon as Legislative approval of the project is assured. The space program and the design and performance criteria will be modeled after the recently completed Department of Revenue project and depict a building of similar quality from a systems performance, reliability, operational and maintenance perspective. However, the exterior design will likely not reflect an institutional or government image as was appropriate on the Capitol Campus. The design of the building will reflect its surroundings and be compatible with its neighbors and its specific site characteristics.

131,000 Gross Square Foot Building

Site Procurement (7 acres)	$1,800,000
Building Construction ($150/GSF)	$18,339,000
Furniture and Relocation	$1,500,000
Data and Telecommunications	$1,160,000
Consulting and Design Fees	$2,100,000
Project Support	$1,400,000
Site Work and Parking	$1,350,000
Subtotal	$27,649,000
Contingency (5%)	$1,400,000
Inflation (11%)	$3,027,700
Total budget	$32,076,700

This project is being proposed as a design/build project using a procurement method similar to that used to develop a Department of Revenue facility. The State experience in completing the Revenue project confirms the original expectation that a quality new facility that meets all state specifications can in fact be designed and constructed by a single design/build entity at a lower cost and certainly in a shorter time frame than could be achieved if implemented with a traditional design-bid-build basis. This early delivery with a design/build method will help the Minnesota Retirement Systems improve efficiencies through collocation when current leases begin to expire in 2001. A traditional design-bid-build process could require from 12 to 18 months longer to implement than a design/build process during which time the Systems will save over $1,000,000 for the cost of leasing space.

The State believes that a minimum cost savings of 5 percent is available through the design/build methodology. This is achieved by avoiding one year's inflation, achieving efficiencies in design and management fees to one entity as opposed to two or more, and as a result of continuous value engineering by the Design/Builder during design. Even further savings are available if a shorter development schedule is realized, lower exposure to construction cost inflation, and reduced lease payments for existing space occupied until a new facility is available. The monthly lease costs are anticipated to exceed $80,000 during the year 2000.

Further, single point responsibility should minimize (if not totally reduce) the State's exposure to delay claims, litigation, and contractor initiated change orders. This is exactly the experience the State had on the Department of Revenue project.

For these reasons, it is recommended that the State conduct a comprehensive design/build competition that would be participated in by a minimum of three, pre-qualified, locally based design/build teams that would be composed of a licensed contractor, architects, engineers and special consultants necessary to complete the work.

The State would identify a specific site and provide appropriate site documentation that would be the basis of the design proposed by each of the teams. Thus, site location would not be a variable in the selection process.

The State would provide a detailed space requirements program (currently completed) and comprehensive design and performance criteria to serve as the basis of the preliminary designs that would be developed by the design/build teams over a three month period.

Each design/build team would submit a conceptual site plan, building floor plan and elevations depicting the type and quality of materials to be provided. Each proposal would have to be in absolute conformance with all criteria and program requirements established by the State.

A detailed facility development budget would also have to be submitted with the stipulation that the maximum price or "bid" to be submitted could not exceed the States estimate of a total development cost of approximately $32 million.

The basis of selection would be to first review the proposals to assure they meet all of the design and performance criteria and that all elements included in the space program are in fact included in the proposal.

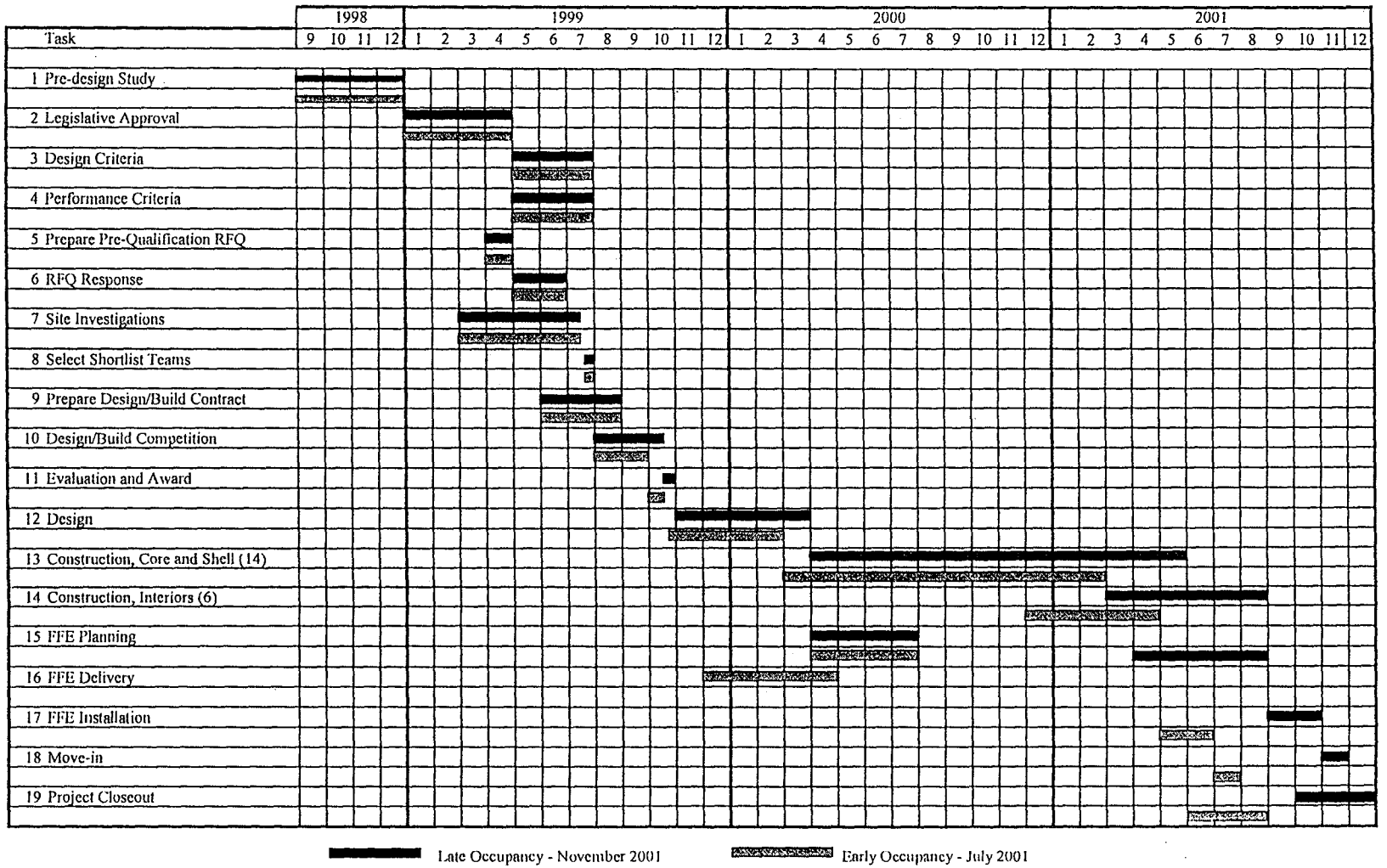
Secondly, a selection committee composed of representatives of each of the Minnesota Retirement Systems, the Department of Administration, and design professionals would review the proposals and make a selection of the one that provides the most value to the State of Minnesota for the level of investment anticipated. The ultimate basis of selection would be a combination of quality, design, and cost. That cost would be assured to be within the maximum cost identified in this report.

E. Schedule

The schedule for completion of this project indicates occupancy in the facility between July and November of 2001. Depending upon the specific site selected and the requirements of the design/build methodology, occupancy between these dates can be assured. Obviously, it is the State's economic advantage to target the earlier, July 2001, occupancy date.

The project would be initiated in May 1999 if Legislative approval is granted. The Department of Administration would finalize the selection of a site by July 1999 which would allow the administration of a design/build competition between August and October of 1999. With an award in November 1999, preliminary design would proceed through March of the year 2000 allowing construction to start with the spring thaw in April of the year 2000. This could then support occupancy between July and November of year 2001.

This construction sequence is somewhat longer than the sequence used for the recently completed Department of Revenue Building to eliminate any construction cost premiums that were required by the Revenue project due to the intensive schedule that was required. An overview of the implementation schedule indicating all key project tasks leading to early occupancy in July 2001 or late occupancy in November 2001 is developed on Exhibit I.3 for review.


1998
1999
2000
2001
Task
9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12 1 2 3 4 5 6 7 8 9 10 11 12
1 Pre-design Study
2 Legislative Approval
3 Design Criteria
4 Performance Criteria
5 Prepare Pre-Qualification RFQ
6 RFQ Response
7 Site Investigations
8 Select Shortlist Teams
9 Prepare Design/Build Contract
10 Design/Build Competition
11 Evaluation and Award
12 Design
13 Construction, Core and Shell (14)
14 Construction, Interiors (6)
15 FFE Planning
16 FFE Delivery
17 FFE Installation
18 Move-in
19 Project Closeout
Late Occupancy - November 2001
Early Occupancy - July 2001

CHAPTER II

MISSION STATEMENTS

A. Background

All three statewide retirement systems were created by the Legislature for the purpose of providing retirement benefits for their distinct memberships. Even though the memberships have unique characteristics, the retirement systems have similar missions. We focus our energies on:

- Enhancing the quality of life for Minnesota's public employees, whether employed by the State, school districts or at the local government level.
- Creating opportunities for members to achieve a successful and secure retirement.
- Providing the highest quality benefits and services that our members will value and trust.

To this end, the retirement systems are committed to offering quality customer services that include, but are not limited to:

- Collecting payroll contributions from each eligible employee and employer unit.
- Immediately investing available funds to maximize investment income.
- Providing retirement counseling and education.
- Communicating accurate information to members and employers in a timely manner.
- Issuing payments to benefit recipients on the first day of each month.
- Maintaining an account for each member.
- Obtaining annual actuarial valuations to assess the level of funding for each retirement fund.

We know that we cannot guarantee a satisfying retirement for our members. We can, however, endeavor to provide opportunities that will help the members make their retirement plans a reality. Quality is a word overused in the past decade. Yet there is no other word that better expresses our aspirations for future work. We want all of our respective members with whom we interact by phone, in person, through one of our presentations or by simply reading one of our publications, to come away with the understanding that we are committed to keeping the three statewide Retirement Systems fiscally strong, providing the best benefits that funding will allow and making our services second to none.

B. Future Changes

The three Retirement Systems envision the ability for members to more easily access information from our offices. Collocation affords the Retirement Funds the opportunity to collaborate on various initiatives more effectively and efficiently. One obvious advantage of collocation is the opportunity for members with service in more than one fund to access information through one-stop shopping. It also fosters cooperative efforts in establishing satellite offices to serve members outside the seven-county metropolitan area. For example, PERA cannot justify staffing an office in the Rochester area solely for its members. But if the staff person housed at that office could serve members of TRA and MSRS also, then the satellite office could be more readily justified. Computer links to one location are much more efficient than trying to link all three data bases to a satellite office from three separate locations.

PERA and TRA have been working for the past three years to update antiquated computer systems. And, all three Systems are busy updating our highly automated operations for January 1, 2000. With the improvements in our information systems ensuring that we have our basic operational needs satisfied, the three Systems would be ready to implement more innovative ways to manage and disseminate information to our respective members. More details of these plans are provided in Chapter IV.

C. Collocation Opportunities

The three major state retirement plans, the Minnesota State Retirement System (MSRS), the Teachers Retirement Association (TRA), and the Public Employees Retirement Association (PERA) are making plans to construct a new building that would house all three agencies. Finding it increasingly difficult to acquire and hold on to affordable lease space, the three funds plan to find a permanent home. The Systems believe collocation addresses several business needs, including:

1. **Reduced Costs**. By owning a building rather than leasing space, the retirement funds should save substantial money and build equity over the long-term. In Fiscal Year 2000 alone the combined funds estimate lease payments of over $800,000. Other costs savings will be achieved as a result of sharing space and equipment.

2. **Available Space**. All three funds are faced with having to move out of their present facilities within the next few years. The building MSRS is now in has recently been sold. PERA has already outgrown the additional space it leased two years ago. And rental costs in the Gallery Building, home to TRA, have skyrocketed in recent years, forcing TRA to split their workforce and find another location for half their staff. It has become increasingly difficult to find space to rent for agencies our size.

3. **Improved Services**. Collocating offers "one-stop shopping" for most government employees throughout the state. Preparing for retirement can be handled at one location, a feature especially nice for members and their spouses or other family members with service in more than one of the funds.

4. **Administrative Efficiencies**. The three pension funds basically do the same kind of work, so could share costs. For example, the funds will be able to share one training facility and one board room. We will also be able to share support services such as mail room facilities.

5. **Ease of Future Expansion**. The Minnesota Retirement Systems will be in a position to lease out to other state agencies any excess building space that could later be used to meet our future space needs.

6. **Joint Efforts Between Funds**. We believe collocation will give rise to joint efforts between the funds. It will be easier to share data, plan joint retirement seminars, and be consistent in the services we offer our members.

7. **Good Government.** Collocation makes sense because it is a "good government" initiative that would result in more efficient and more effective delivery of government services to our constituents.

The three funds plan to build a building in or around St. Paul that will become our general office facility. We will also develop satellite offices in outer Minnesota to better serve our members there. The new building will be approximately 130,000 square feet with 20,000 square feet of space available for leasing to other state agencies via the Department of Administration. The building will be available for occupancy at the end of 2001.

CHAPTER III

FACILITY PROGRAM

This chapter develops a conceptual building configuration and site plan for the proposed facility. These documents were prepared to add substantial definition to the nature and design criteria for the building required. This helps to develop a more accurate cost estimate for this project. It is believed that the conceptual site plan and building configuration may not be provided to the design/build teams entering in the design/build competition to increase the level of design creativity proposed by the design/build teams.

A. Research

Substantial research was conducted with Retirement Systems to identify future staff and space needs and to explore a number of ways in which collocation in one building could result in efficiencies of staff, space, or equipment.

The agencies engaged The SGS Group to develop a detailed space program for the proposed facility. The SGS Group previously completed two master plans for the State of Minnesota and the detailed program and design and performance criteria for the Department of Revenue project. The firm was familiar with State space allocation standards, building systems requirements and implementation procedures. CMPI, a project management and cost consulting firm who has extensive experience working on State facility development projects, assisted in developing cost estimates.

The SGS Group conducted in-depth interviews with each of the Minnesota Retirement Systems and with a number of individuals within the departments to identify what each organizational component did, and how its services were provided, in order to explore better ways to arrange space and provide interior furnishings to further the organizational mission. Substantial time was spent developing and forecasting future staff and space needs based on anticipated changes or enhancements to the services provided and an increasing number of clientele for the next 40 years.

Automation opportunities afforded by computers and scanning retention and the impact of these concepts on requiring more or different equipment, but in the long term reducing over-all space needs, were incorporated into the analysis.

Staff were encouraged to indicate how they conduct their daily business, whom they need to be located adjacent to, and how paper and information flows within the organization. From this an analysis showing how the four primary agencies comprising the Minnesota Retirement Systems could collocate within a building and share a number of common use and support areas; such as, training, boardroom, reception, interview, waiting areas, break and food service areas was prepared.

B. Space Requirements

Detailed space requirements are included in Appendix A along with the space allocation standard that comply with all State guidelines and a sample of the data collection questionnaire used to develop the space requirements forecast. A summary of those requirements for each of the four primary agencies plus support space for spaces that might be supervised by Services for the Blind (food and vending) or the Department of Administration (building management) are shown on Exhibit III.1. Overall, in 1998, the four departments have a current allocation of 255 personnel. This is forecast to increase to about 285 positions by the year 2000, right around the time of initial occupancy in the facility. Long term, through the year 2010, the agencies forecast a need for 292 staff. This equates to an annual rate of growth of about 1.2 % per year.

Space required by the Minnesota Retirement Systems to support ten years of growth after initial occupancy will be provided. Details of the space requirements program are available from the system and the Department of Administration. In addition, the facility requires a number of building support, building management and housekeeping functions plus a modest employee lunchroom. These facilities total approximately 19,000 NSF. To support all Minnesota Retirement Systems space needs through the year 2010, a building of 86,283 NSF will be required.

C. Long Term Expansion

If properly designed and located, the facility should accommodate needs for at least 40 years. Thus it is desirable to incorporate additional space beyond that required by the year 2010. The long-term expansion, from the year 2010 to the year 2040, was estimated at about one percent per year. When this is applied to the 67,218 NSF allocated to the departments, the team calculated a need to provide approximately 20,000 NSF space to support that expansion. This was later adjusted to 18,000 NSF.

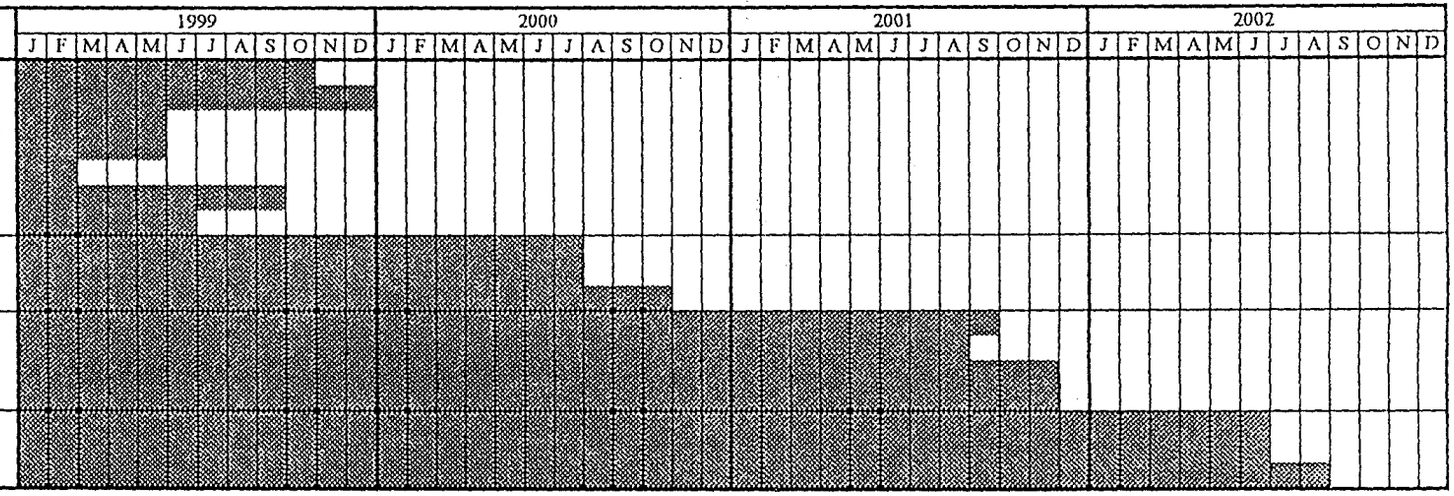
When the study was originally initiated in late 1997, the Department of Administration identified a number of small state agencies whose occupancy in an office building in the greater St. Paul area might be compatible. All of these agencies are presented on Exhibit III.2. At that time, the identified departments had an overall requirement for over 170,000 NSF and were paying an annual rent approaching $3,000,000. All of these agencies have leases expiring from 1998 through mid-year 2002. Some of these agencies will have to lease space before 2001 while other agencies will be added to the list of potential candidates.

While some agencies may be compatible with collocation with the Minnesota Retirement Systems, once the location is determined, some may not be appropriate. It is likely a number of the smaller agencies will be compatible with interim occupancy in the Minnesota Retirement Systems building for periods through the year 2010. These agencies have not been contacted to discuss their specific needs or locational requirements. Through phased lease expiration dates, space would become available generally in five-year increments to support expansion of the primary tenants of the building. A graph depicting the lease expiration dates is presented in Exhibit III.3.

No	Organization	Staff				Space				Growth Rate (98-10)	
		1998	2000	2005	2010	1998	2000	2005	2010	Staff	Space
1	***Public Employees Retirement Association***										
2	Executive	8	9	9	9	4,013	4,136	4,136	4,136	1.0%	0.3%
3	Financial Management	10	7	7	7	1,902	1,477	1,477	1,477	-2.5%	-1.9%
4	Informaton Systems	23	17	17	17	3,672	3,101	3,101	3,101	-2.2%	-1.3%
5	Membership & Administration	16	28	27	27	5,162	6,484	6,376	6,376	5.7%	2.0%
6	Pension	40	41	45	48	7,077	7,322	7,889	8,363	1.7%	1.5%
7	Subtotal: PERA	97	102	105	108	21,826	22,520	22,979	23,453	0.9%	0.6%
8	***State Retirement System, Minnesota***										
9	Administration	6	6	6	6	1,485	1,485	1,496	1,496	0.0%	0.1%
10	Employee Services & Records										
11	Records/Office Services	15	15	13	12	1,793	1,833	1,617	1,509	-1.7%	-1.3%
12	Retirement Services	11	13	15	17	1,874	2,245	2,569	2,920	4.5%	4.7%
13	Finance & Systems										
14	Accounting	6	6	6	6	823	823	823	823	0.0%	0.0%
15	Database Administration & Statistics	2	2	2	2	362	402	402	402	0.0%	0.9%
16	Systems Analysis	5	5	5	5	767	832	832	845	0.0%	0.8%
17	Shared/Common	0	0	0	0	4,909	4,438	4,186	3,890	0.0%	-1.7%
18	Subtotal: SRS	45	47	47	48	12,013	12,058	11,925	11,885	0.6%	-0.1%
19	***Teachers Retirement Association***										
20	Executive	5	5	5	5	1,315	1,335	1,335	1,335	0.0%	0.1%
21	Customer Services	13	19	23	31	3,035	4,099	4,928	6,408	11.5%	9.3%
22	Finance & Systems										
23	Accounting	16	17	17	17	1,884	2,011	2,030	2,048	0.5%	0.7%
24	Information Systems	13	21	13	13	3,177	4,095	3,285	3,285	0.0%	0.3%
25	Legal & Publication	4	4	4	4	764	764	777	777	0.0%	0.1%
26	Mail & Records Center	9	9	5	5	2,381	2,381	1,612	1,624	-3.7%	-2.6%
27	Processing Center	20	23	24	25	3,229	3,607	3,769	3,931	2.1%	1.8%
28	Shared/Common	0	0	0	0	3,609	3,624	3,685	3,740	0.0%	0.3%
29	Subtotal: TRA	80	98	91	100	19,394	21,916	21,421	23,148	2.1%	1.6%
30	***Investment, State Board of***	26	27	28	29	8,246	8,408	8,570	8,732	1.0%	0.5%
31	TOTAL:Minnesota Funds	248	274	271	285	61,479	64,902	64,895	67,218	1.2%	0.8%
32	***Other***										
33	***Economic Security***										
34	Services for the Blind	1	1	1	1	563	563	563	563	0.0%	0.0%
35	***Administration***										
36	Administrative Management										
37	Building Support	4	4	4	4	16,141	16,141	16,401	16,401	0.0%	0.1%
38	Plant Management										
39	Building Management	1	1	1	1	1,346	1,346	1,346	1,346	0.0%	0.0%
40	Housekeeping	1	1	1	1	755	755	755	755	0.0%	0.0%
41	Subtotal: Other	7	7	7	7	18,805	18,805	19,065	19,065	0.0%	0.1%
42	*TOTAL BUILDING*	255	281	278	292	80,284	83,707	83,960	86,283	1.2%	0.6%

No	Lease No	Agency	Lease Location	Address	City	Space Use	Office		Storage		Annual Rate	Lease Expires
							Sq. Ft.	Rate/Sq.Ft.	Sq. Ft.	Rate/Sq.Ft.		
1												
2	10525	Asian Pacific Council	University National Bank Building	200 University Avenue	St. Paul	Office	750	$13.08	0	$0.00	$9,810	12/31/97
3												
4						Subtotal 1997	750	$13.08	0	$0.00	$9,810	
5												
6	9216	Council on Black Minnesotans	Wright Building	2233 University Avenue	St. Paul	Office	1,516	$13.00	0	$0.00	$19,708	10/31/98
7	9347	Office of the Attorney General	Capitol Office Building	525 Park Street	St. Paul	Office	39,264	$17.75	0	$0.00	$696,936	6/30/98
8	8834	State Employee Assistance	University National Bank Building	200 University Avenue	St. Paul	Office	2,181	$13.08	0	$0.00	$28,527	6/30/98
9	10557	Sentencing Guidelines	University National Bank Building	200 University Avenue	St. Paul	Office	1,311	$13.08	0	$0.00	$17,148	12/31/98
10												
11						Subtotal 1998	44,272	$17.22	0	$0.00	$762,319	
12												
13	9372	Secretary of State	Park Office Building	555 Park Street, Suite 400	St. Paul	Office	8,075	$19.60	0	$0.00	$158,270	10/31/99
14	9449	Bd of Barber Examiners	1885 University Avenue	1885 University Avenue	St. Paul	Office	901	$13.30	0	$0.00	$11,983	12/31/99
15	9556	Housing Finance Agency	Park Square Court Building	400 Sibley Street	St. Paul	Office	34,538	$16.48	1,676	$4.11	$576,075	5/31/99
16	9557	Housing Finance Agency	Wood's Chocolate Building	225 East Sixth Street	St. Paul	Office	10,445	$16.37	0	$0.00	$170,985	5/31/99
17	9582	Transportation	Kelly Inn	161 St. Anthony Avenue	St. Paul	Office/Parking	17,468	$14.78	0	$0.00	$258,177	2/28/99
18	10348	Indian Affairs Council	Energy Technology Center	1450 Energy Park Drive	St. Paul	Office	1,134	$13.00	0	$0.00	$14,742	9/11/99
19	10414	Water & Soil Resources		One West Water Street	St. Paul	Office	7,990	$14.37	0	$0.00	$114,816	11/30/99
20												
21						Subtotal 1999	80,551	$16.12	1,676	$4.11	$1,305,048	
22												
23	9563	Economic Security	Lowertown Business Center	245 East Sixth Street	St. Paul	Office	4,707	$13.55	100	$0.00	$63,780	7/31/00
24	10442	Labor & Industry	Riverview Business Center	380 Lafayette Freeway	St. Paul	Office	8,852	$14.79	0	$0.00	$130,921	7/23/00
25	10546	Peace Officer Standards	Spruce Tree Centre	1600 University Avenue, Suite 200	St. Paul	Office	4,563	$15.60	0	$0.00	$71,183	10/31/00
26												
27						Subtotal 2000	18,122	$14.67	100	$0.00	$265,884	
28												
29	9804	Acct'g, Arch, Boxing	Hemar Building	Seventh Place & Robert Street	St. Paul	Office	5,278	$13.75	0	$0.00	$72,573	8/31/01
30	10637	Labor & Industry	Southbridge Office Center	155 South Wabasha Street	St. Paul	Office	2,631	$14.47	0	$0.00	$38,071	7/31/01
31	10660	Ombuds for Families	Energy Technology Center	1450 Energy Park Drive	St. Paul	Office	1,315	$14.50	0	$0.00	$19,068	10/31/01
32	10662	Municipal Board	Bandana Square	1021 Bandana Blvd., East	St. Paul	Office	2,431	$12.76	0	$0.00	$31,020	10/31/01
33												
34						Subtotal 2001	11,655	$13.79	0	$0.00	$160,730	
35												
36	8710	State Auditor	Capitol Office Building	525 Park Street, Suite 400	St. Paul	Office	12,850	$18.25	0	$0.00	$234,513	6/30/02
37	10708	Chicano/Latino Affairs Council		555 Park Street	St. Paul	Office	1,140	$15.60		$0.00	$17,784	6/30/02
38	10736	Transportation	555 Park Office Building	555 Park Street, Suite 200	St. Paul	Office	2,242	$16.00	0	$0.00	$35,872	8/31/02
39												
40						Subtotal 2002	16,232	$17.75	0	$0.00	$288,169	
TOTAL							171,582	$16.23	1,776	$4.11	$2,791,960	

No	Lease No	Agency
1	9372	Secretary of State
2	9449	Bd of Barber Examiners
3	9556	Housing Finance Agency
4	9557	Housing Finance Agency
5	9582	Transportation
6	10348	Indian Affairs Council
7	10414	Water & Soil Resources
8	9563	Economic Security
9	10442	Labor & Industry
10	10546	Peace Officer Standards
11	9804	Acct'g, Arch, Boxing
12	10637	Labor & Industry
13	10660	Ombuds for Families
14	10662	Municipal Board
15	8710	State Auditor
16	10708	Chicano/Lation Affairs Council
17	10736	Transportation



D. Adjacency Relationships

Collocation on adjacent floors in the same facility will satisfy all of the adjacency relationships between the four included organizations. There is no critical adjacency that requires two of the departments to be collocated on the same floor. The building concept anticipates the availability of interconnecting stairways, attractively appointed and lighted, to promote inter-floor movement of staff.

Primary adjacency relationships relate to the following considerations:

1. Identity of each department will be provided immediately adjacent to the central elevator core for reception of visitors to the individual organizations.

2. Spreading expansion space which is initially occupied by sub-tenants, relatively equally on each floor.

3. Collocation of building support activities, which includes the main lobby, shared board room and conference and training facilities, a small lunch room and vending area, computer training room, and building services and housekeeping components. This building support area totals almost 19,000 net square feet.

E. Building Space Arrangement

Primary consideration was to be given to a building of four levels above grade to avoid a five or more level building that would impose additional high rise construction codes and increase construction costs. Thus it was believed that each floor could be assigned a primary occupant with individual identity.

Consideration should be given to developing a building configuration that would minimize construction costs. This can most easily be achieved by having floors of uniform size and configuration developed in a relatively rectilinear manner. Exhibit III.4 depicts one suggested space allocation or "stacking" concept for the facility. It identifies building support components and sub-lease space on the first floor. The primary tenant of the second floor is the Teacher's Retirement Association. The primary tenant on the third floor is the Public Employee's Retirement Association. The fourth floor would accommodate two groups, State Retirement System and State Investment Board again along with some minimum expansion space located between the two agencies to allow each agency to expand without disrupting the other agency.

Exhibit III.4 further allocates estimates for public circulation (line 55) and building core elements (lines 57-64). A total building efficiency (ratio of net to gross area) of 80 percent is assumed. This defines net area as the space that can be occupied by Systems or State tenants for office and support space. It does not include restrooms, elevators, stairs, mechanical spaces or other building core or utility room or service spaces. The building will require construction of approximately 130,791 gross square feet.

	SECTION	Total NSF	FACILITY LEVEL First	Second	Third	Fourth	TOTAL
1	PERA						
2	Office	21,921			21,921		21,921
3	Conference Room	224			224		224
4	Conference Room	240	240				240
5	Interview Room (4 @ 140)	560			560		560
6	Computer Room	400			400		400
7	Reception/Waiting Area	108			108		108
8	Subtotal PERA:	23,453	240	0	23,213	0	23,453
9	SRS						
10	Office	9,967				9,967	9,967
11	Conference Room	240	240				240
12	Conference Room	224			224		224
13	Conference Room	140				140	140
14	Breakroom	400			150	250	400
15	Interview Room (2 @ 140)	400				400	400
16	Computer Room	250				250	250
17	Reception/Waiting Area	264			264		264
18	Subtotal SRS:	11,885	240	0	638	11,007	11,885
19	TRA						
20	Office	19,497		19,497			19,497
21	Project Room	500		500			500
22	Computer Room (Raised Floor)	600		600			600
23	Conference Room	400		250	150		400
24	Conference Room	600		600			600
25	Conference Room	150		150			150
26	Breakroom	400		250	150		400
27	Interview Room (2 @ 140)	280		280			280
28	Reception/Waiting Area	721		721			721
29	Subtotal TRA:	23,148	0	22,848	300	0	23,148
30	SIB						
31	Office	7,940				7,940	7,940
32	Conference Room	140				140	140
33	Conference Room	224				224	224
34	Conference Room	320		320			320
35	Reception/Waiting Area	108				108	108
36	Subtotal SIB:	8,732	0	320	0	8,412	8,732
37	BUILDING SUPPORT						
38	Retail Area	563	563				563
39	Main Lobby	2,875	2,875				2,875
40	Boardroom / Conference Room	1,200	1,200				1,200
41	Fire Control	270	270				270
42	Cafeteria / Vending Area	4,140	4,140				4,140
43	Training Rooms	2,400	2,400				2,400
44	Computer Training Room	1,080	1,080				1,080
45	Telephone Switch / Data Room	690	690				690
46	Telephone Closets	805	205	200	200	200	805
47	Coffee Station / Area	1,159	259	300	300	300	1,159
48	Loading Dock, Trash, Recycling	1,725	1,725				1,725
49	Maintenance and Housekeeping	2,039	2,039				2,039
50	Subtotal Building Support:	18,946	17,446	500	500	500	18,946
51	Subtotal (1 - 49):	86,164	17,926	23,668	24,651	19,919	86,164
52	Lease Space	20,000	5,500	4,500	4,500	3,500	18,000
53	Total Net Square Feet (#51+#52)	106,164	23,426	28,168	29,151	23,419	104,164
54	Circulation % (Given)		10%	6%	6%	6%	
55	Circulation (#53 x #54)		2,343	1,690	1,749	1,405	7,187
56	CORE						
57	A. Public Elevators and Lobby		600	600	600	600	2,400
58	B. Electrical Closets		200	200	200	200	800
59	C. Restrooms		700	700	700	700	2,800
60	D. Janitor Closets		50	50	50	50	200
61	E. Stairs		900	900	900	900	3,600
62	Subtotal Core Elements:		2,450	2,450	2,450	2,450	9,800
63	Shafts and Risers		200	800	400	400	1,400
64	Mechanical Room (3% + %5)		3,090			5,150	8,240
65	Total Square Feet(#53+#55+#62+#63+#64)		31,509	32,708	33,750	32,824	130,791
66	Building Efficiency (#53 / #65)		74%	86%	86%	71%	80%

F. Development Concept

To assist CPMI in developing a cost estimate for this facility, a conceptual building floor plate configuration was prepared to demonstrate one acceptable configuration. The center core building configuration provides clear tenant space of a minimum depth of 42 feet around the entire perimeter. As with the development of space plans for the Department of Revenue Building, this configuration has proven to be a very efficient and flexible space module. Minimum circulation is necessary to link the two required stair exits, restrooms, electrical and telephone closets and the elevator lobby. The ideal floor plan will provide an efficient floor plate of 32,512 GSF. This demonstrates how the total program for the building, a nominal 131,000 GSF, can be accommodated in a four level building.

G. Conceptual Site Plan

A conceptual site plan was developed to test the amount of land that might be required in a suburban location to support a building with a 32,512 GSF foot print and 430 parking spaces. This includes an allocation of 40 spaces for visitors.

A very "tight" site configuration with minimum ten foot set backs on the side and rear yard and a slightly more gracious 20 feet landscaping buffer towards the front of the building required use of approximately 6 useable areas. This minimum site of 6 acres is without any allocation for drainage or retention ponds, more adequate landscaping or the preservation of natural vegetation found on the site. For this reason, the consultant team recommends a minimum of seven fully useable, and relatively flat acres be used for purposes of identifying and selecting a site for the Retirement Systems building.

CHAPTER IV

TECHNICAL REQUIREMENTS

A. Performance Specification Outline

This document will be prepared if the project is approved by the Legislature or in advance during the Legislative session so that a design/build competition could be initiated immediately upon approval rather than waiting three months to prepare competition documents.

B. Budget Allowances

This will be prepared concurrent with the Specification.

C. Special Requirements

This will be prepared concurrent with the Specification.

D. Information Technology Plan

The three major state retirement plans, the Minnesota State Retirement System (MSRS), the Teacher's Retirement Association (TRA), and the Public Employees Retirement Association (PERA) are making plans to construct a new building that would house all three agencies. Finding it increasingly difficult to get and hold on to affordable lease space, the three funds plan to find a permanent home.

The three funds plan to build a building in or around St. Paul that will become our general office facility. We will also develop satellite offices in outer Minnesota to better serve our members there. The new building will be approximately 131,000 square feet with 18,000 NSF of space available for leasing to other state agencies via the Department of Administration. The building will be available for occupancy at the end of 2001.

Information management is critical for all three pension funds. We process millions of transactions each year, maintain membership data on over 350,000 members, and receive hundreds of phone calls daily. Knowing how vital information management is to the success of our agencies, each of the funds has assigned top-level managers to develop and manage the information resources for that agency. PERA has assigned Rick Deshler, the manager of Information Services, as executive CIO. John Wicklund, Assistant Director, is the executive CIO at TRA. And the executive CIO at MSRS is Arvin Herman, the Assistant Director in charge of Finance and Systems. Each of these managers works closely with their corresponding Executive Director, Board of Trustees, and steering committee to ensure a successful information systems program.

Building Project Management

The building project is being headed up by the Executive Directors and the Finance Managers for each of the three funds. This 6-person team will assign an information resource steering committee for this project in April 1999 if permission is granted by the legislature to build a new building. That steering committee will be charged with developing an implementation plan, coordinating efforts between the three funds, and designing the cabling backbone for the building. Each of the funds has a steering committee

1. PERA has created three information resource steering committees to reengineer major business processes. Each committee is charged with developing more efficient and effective ways of utilizing information resources to streamline processes, enhance customer service, and deliver information and services electronically. Steering committees are structured around the three major business processes and include representatives from top management, information system professionals and system users. The steering committee project managers meet at least once every two weeks with Rick Deshler to coordinate efforts. As an example, one of the steering committees consists of 7 PERA employees: Rick Deshler, Cheryl Keating (Manager of Administrative Services), Dave DeJonge (Finance Manager), Steve Schroeder (Information Services programmer), MaryLee Tuckner (cashier), Mimi Helseth (data entry) and Jan Lanyk (Membership supervisor).

   This committee is developing methods of receiving information and money electronically. Through reengineering efforts and the use of modern technology, PERA will automate processes that are handled manually today. This committee will also look at office space planning and the use of telecommunications technology that will prepare us for the move to a new building.

2. MSRS has created a long range planning committee, which will define current and future organizational needs and define plans to meet those needs. The steering committee members are David Bergstrom, Executive Director; Arvin Herman, Asst. Director for Finance & Systems; Ron Schweitzer, Asst. Director for Pension Services; Bob Sjoberg, Database Manager; Joe Hutton, Information Technology Specialist; Deb Mulcahy, Information Technology Specialist; Ernest Palmsten, Manager of Pension Services; David Wright, Counselor; Sheryl Cincoski, Counselor; and Linda Dietsch, Manager of Records.

3. TRA has developed a steering committee that consists of the Executive Staff (Executive Director Gary Austin and Assistant Directors John Gardner, Judy Strobel and John Wicklund), Jack Pula (Planning Director), and the five TRA functional area managers: Frank Merry, Geoff Strub, Karen Williamson, Connie Gunderson, and Keith Heidecker.

Telecommunications Network

The three pension funds have similar communication needs and future requirements. As service organizations, all three funds receive a considerable number of phone calls daily from members and employers. All three funds are connected to the state's phone system through InterTech, using voice mail, e-mail, and MNet via the state. And all three funds need to interact with other state agencies to handle payment, accounting and payroll processes.

The three funds also handle a tremendous amount of data that must be received from employers and members, stored, and transmitted to fund employees. Thus, the internal infrastructure wiring scheme is critical to the success of the funds. As satellite offices are formed, high-speed transmission lines will be necessary to move data quickly from "home office" computers to on-site satellite office computers.

The distant future may bring other communication needs as we develop new customer service products: providing video teleconferencing of board meetings, workshops or training sessions held throughout the state; video kiosks where members can speak "face-to-face" with counselors who are hundreds of miles away; and interactive internet sites that allow access to member and employer information 24 hours a day, 7 days a week.

PERA's 83 employees are located in the Gallery Tower Condominium Building in downtown St. Paul. Each employee has a voice line at their workstation with state voice mail features available. Each employee also has a PC with e-mail capabilities. In April 1997 PERA installed a customer service call center to route incoming calls to the next available customer service representative using an Automatic Call Distribution System (a service provided by US West) and 2-line telephones for 21 employees. The Automatic Call Distribution System also allows us to track incoming calls so that we can best manage resources based on the number of incoming calls. On average, PERA receives more than 400 calls each day using this system. We also have a dedicated phone number for our 2100 employers. A Conditional Transfer Box at InterTech routes calls to a "front-end" caller menu during the day or to a message after hours. The front-end caller menu system distributes the call based on selections made by the caller. PERA also makes use of MNet and WATS line capability provided by the State for incoming and outgoing phone calls that are outside our area code.

Communication needs reach beyond our phone system. Employees must also be connected to each other and to our internal LAN. The internal wiring for our technological infrastructure is critical to PERA's success. Data on over 200,000 members needs to be readily accessible by fund employees. Each employee must also have quick access to the tools necessary to do assigned work: spreadsheets, word processors, database query tools, e-mail, schedulers, and a web browser. As PERA begins to image documents, the speed of our cables and hardware becomes even more critical. As a result, PERA is researching the present alternatives and may rewire our present building in 1999 in conjunction with the deployment of imaging and a new system developed to receive information electronically from employers.

Electronic access to the outside world is also critical. PERA's website, discussed further in the Information Resource Technologies section of this document, will continue to grow in importance as we increase the number of services available online. We now use a T-1 line connection, and believe that will suffice for the next five years. Though we have not initiated any formal telecommuting program, we plan to do so in the next few months. By January 1999 we will have the equipment and service available to allow more than one person at a time to telecommute. We do not, however, expect that a large number of employees will work at home, mainly due to the nature of their positions.

We will be working closely with the Department of Administration when preparing to move into a new building. We will move existing phones and hardware, minimizing future costs. Wiring specifications will be determined during the design phase of the new building. A telephone service closet housing PERA's phone panel will be installed close to the Information Services Division. Each workstation will require one phone jack and one network jack. Each workstation will be equipped with a personal computer connected to the LAN. Network printers will be located throughout the office to handle most of our printing needs. A handful of scanners and printers will be located on workstations for those employees who require those peripherals.

MSRS is currently preparing a new long-range plan for the agency. The existing phone system is being reviewed to determine what improvements may be needed. Presently there are single lines, with Intertech supported voice mail, to every workstation, three general information lines that go to the receptionist, one toll free (800) line to the receptionist, one departmental fax line, one fax line to our optical system and two voice grade lines to a modem pool. We anticipate that a telephone closet will be accessible near our computer equipment.

Telecommuting at MSRS is currently limited to mainframe access. This access is via Intertech supported Services (MNET dialup or IBM global network dialup). Access to the LAN based document server is possible via the internet/MNET, but the response time is severely limited if the users' device is connected to their ISP with a voice grade phone. We have not experienced any significant savings of space or equipment by telecommuting nor do we expect to in the future.

TRA's 68 employees are housed in two locations in downtown St. Paul. Each employee has a voice line at their workstation with state voice mail features available. In early 1998, with the assistance of the Department of Administration-Telecommunications Division, TRA installed a telephone service center with multi-line capabilities. The phone system produces sophisticated statistical tracking of calls so managers may make daily corrections to the staffing levels of the phone center. The routing of the majority of calls to the telephone center has allowed employees of the other sections to concentrate on their main responsibilities.

In our future move from our locations, we plan to utilize the current technology as recently purchased in our new location. Although a detailed analysis of our phone center concept is still underway, initial indications show that the concept of a phone center has improved customer service as well as processing efficiency. We expect to work with Telecommunication to assist the moving of our equipment and other transitions.

Ideally, TRA would like to house a telephone service room on its main floor near the computer room area to aid the organization of both phone and data wires for our AS-400 midrange computer. We would anticipate that each workstation needs one voice and one data phone jacks. Each workstation will be equipped with a personal computer and printer. Network printers are also needed in approximately nine locations to accommodate specialized printing needs of specific functional divisions of the organization.

TRA's main customers are the nearly 500 employer units which periodically report contributions and other data on our members. We are planning to offer electronic funds transfer (EFT) to our employer units within the next year in order that employee and employer contributions may be remitted to TRA without the need for a paper check.

We do not anticipate any electronic commerce in the purest sense although we continue to offer information on our homepage on the worldwide web. During 1999, we intend to implement a benefit estimator feature on the worldwide web. The estimator will allow members to vary input data to generate retirement estimate to aid their personal retirement planning. Over the next couple of years, we plan to continue to enhance our on-line presence with the strong possibility that members may be allowed "read-access" to the information in their member account. Any new building will need the phone line infrastructure to accommodate the demand (currently about 2,000 hits monthly) for our web page.

Telecommuting is in its infancy at TRA and a formal plan is currently in development. We do anticipate some level of telecommuting will be requested and approved. Of our staff complement, we would estimate that less than 20 percent (about 15) would telecommute due to the nature of their positions. Currently we do not have employees regularly telecommuting and in connection with our AS-400 from their home. When we have tried this experiment, Systems staff reported a number of technical difficulties in obtaining and remaining connected. The connectivity issues will need to be researched and resolved before management approves any large degree of telecommuting.

Information Resource Technologies

The State of Minnesota has established three information resource goals:

1. Reduce the need for office space;
2. Decentralize operations; and
3. Deliver services electronically. By concentrating on the third goal, the three funds will also make strides toward achieving the first two goals.

PERA was on the forefront of using direct deposits to issue recurring monthly payments to benefit recipients over a decade ago. PERA is now developing electronic methods of receiving payments and data from 2100 local units of government. Scheduled to be implemented in July 1999, the system developed as the result of this effort features receipt of payments via EFT and electronic receipt of transaction and demographic detail information about our 160,000 active members. The system will, of course, be year 2000 compliant.

PERA established a website in October 1997 in order to inform members and employers, provide electronic forms, and allow members to calculate future benefits. The website, at www.mnpera.org, has been quite popular, averaging 2000 distinct hits each month. PERA is able to post up-to-the-minute information on the site, helping to reduce the number of phone calls received by our customer service representatives. Members are also able to calculate "what if" retirement and disability estimates online. Employers are able to download forms and instructions without calling PERA. The internet provides an excellent opportunity for delivering rapid, high quality service in an operationally efficient manner. Potential opportunities to increase the use of the internet include:

A complete member kiosk that offers a full range of PERA services including:

- Personal retirement, survivor and disability estimates
- Online income verifications for benefit recipients
- Retirement programs (voice, video and data) for members nearing retirement
- Access to a "knowledge base" for answering complex questions

A complete employer kiosk that offers a full range of employer services including:

- Employer reporting software that supports online enrollment, account maintenance, and contribution reporting
- Access to a "knowledge base" for answering complex questions

PERA is on the verge of implementing an imaging and workflow system. In order to process a retirement or answer specific questions for a member, PERA employees must now wait to receive the physical file. That will soon change. As files are imaged over the next three years, information found in those files will be accessible "online" to all PERA employees at the same time. In fact, paperwork that enters our office can be scanned and routed to the proper employee electronically—even if that employee is not located in our central office.

As PERA develops the infrastructure, imaged files and know-how to deliver services electronically, the potential for decentralized satellite offices increases. PERA's five-year strategic plan addresses a need to consider satellite offices and information kiosks as a way to better support the customer base in outstate Minnesota. The information technology architecture being put in place is capable of supporting satellite offices and secure remote access for field representatives so that customers can receive quality service when and where they need it.

Payments by check, data and correspondence; however, will continue to be collected and stored at a central location for many years to come. With over 3 million transactions every year, it is most efficient to process and store that data in one location, then disseminate that data to other locations. PERA is also an agency that works face-to-face with government employees and retirees. That direct contact is very valuable to our members, and will not be replaced in the near term. For that reason, PERA does not expect to reduce the need for office space, though it is expected that future growth in office space will be reduced and controlled for two reasons: (1) some services can be delivered electronically, without human intervention; and (2) though our membership is growing 5% each year, PERA is becoming more efficient through the use of technology and reengineering, requiring fewer employees per member to do the "work."

The MSRS database, where all record keeping for the participants in all our retirement plans is done, is on Intertech's mainframe computer systems. Connectivity between the MSRS LAN and Intertech is done through MNET (the state's wide area network). We are currently reviewing this connection (56KB digital line) and may be upgrading in the near future. We would expect to have at least the functional equivalent of a ¼ T1 line at any new location we may move to. A 9600-baud data line is also currently being used to run RJE jobs. This may be obsolete (replaced with FTP jobs via MNET) before we move, but if not, a similar line would need to be connected. As part of the Minnesota Retirement Systems long-range planning, the LAN is currently being reviewed and may undergo change in the next year. Disaster recovery is coordinated with Intertech, our database is backed up daily to two separate locations, and we would be back in business 3-4 days after a full-scale disaster. We expect to do the bulk of our data processing on Intertech's mainframe for several years to come.

Normal office activities like word processing are supported on the LAN as well as terminal emulation to the mainframe database. Back up of the LAN server is done across MNET using Harbor software copying the LAN files to two separate tapes drives at Intertech. The optical filing system that stores all the archived paper documents the department has collected over the last 70 years operates on a NT server attached to the MSRS LAN. Full optical disks are copied and the backup copies stored at PERA. With the prospect of MSRS & PERA being located in the same building we would need to change the storage to another location such as Central Files. Increased use of the imaging system will most likely drive us to upgrading our 16-megabit token ring topology to category 5 fast Ethernet before any move to a new site.

We do not anticipate substantive savings in the amount of office space due to improvements in technology or the allowance for telecommuters. Telecommuters would only telecommute part-time and most likely would need a workstation and space as if space as paper files would not need to be maintained in a document imaging environment. However, we are projecting growth in our employee complement as the retirement processing of the "baby boom" generation begins to occur and will probably offset any space savings from other factors.

Information technology will also allow TRA to decentralize operations. This phenomenon is already occurring as retirement counselors, armed with laptop computers, are able to access the TRA program applications and perform on-site estimates from counseling bases throughout Minnesota. This feature has been well received as teachers in Greater Minnesota feel that a personal retirement session can be equally effective, regardless of the location in which it is held.

As previously mentioned, TRA is using the worldwide web and plans to expand features in the near future. We may be able to email or electronically deliver estimates and other member services if data privacy concerns are ameliorated.

Information Technology Implementation Plan

Until legislation is passed allowing the three pension plans to build and own a building, a detailed information resource implementation plan will not be developed. It is futile to develop such a plan when we do not have authority to build a building, do not have a site picked out, and do not have a building design. Should legislation be passed this session; however, building design work will begin in late 1999. A committee will begin working on cabling specifications around the same time. Construction will begin in the spring of 2000, and interior work will begin in early 2001. Discussions have already taken place about cabling options, fiber optics, "gig" ethernet via cat. 5, etc.; but technology is changing much too quickly to commit ourselves to a particular cabling scheme this far away from actual construction. We will closely follow emerging cabling technologies over the next couple of years and decide whether a fiber optic network or some new technology is most appropriate. That decision will have substantial input from InterTech. Once legislation is passed we will begin discussions with the Department of Administration to prepare an information resources implementation plan. In the meantime, each fund is putting the hardware and software in place to handle business processes in the most efficient and effective ways, keeping the infrastructure flexible enough to be easily transferred to a new location should legislation be passed allowing that to happen. That transfer would occur in the 2nd half of 2001. Each agency will be able to dismantle their existing systems, move them to the new location, and assemble them again in a short period of time.

PERA recently upgraded PCs for every workstation in preparation for imaging and new customized software that will be deployed in early 1999. These PCs will most likely be approaching obsolescence in late 2001. We will make a decision in the fall of 2000 whether we will purchase new equipment when we move into the building or dismantle and move our existing hardware. At that time we will look at upgrades to our imaging hardware, servers, web server, and jukebox based on data collected between now and then.

PERA is beginning the last year of a five-year strategic plan, and is in the midst of completing several large-scale projects tackled during those five years. During the first half of 1999 the executive management team will begin formulating a new five-year strategic plan that will include the new building as one of the projects. Once a firm timeline is established for the new building, a detailed implementation plan will be developed with the help of the Department of Administration in conjunction with the other funds.

MSRS is reviewing the adequacy of our current LAN and desktop hardware. We expect to have a network connection and a phone line at each workstation. The network cable will be at least a category 5 cable. If the desktop hardware has not been replaced by then, we expect to install new devices at the time of the move, if we upgrade before then we will have to review our needs again with sufficient lead time to arrange for any new hardware needed.

TRA recently installed new personal computers and related hardware for its employees. Based on the technology curve, these computers will likely approach obsolescence about purchase new hardware or move our existing hardware to our new location. Once TRA is aware of our new building site and timelines, systems management will meet with network experts and hardware vendors to purchase new hardware, if any, in time for the moving into a new building.

TRA will continue to evaluate its midrange computing needs with regard to our electronic document imaging system to determine if an upgrade would coincide with our move. If so, we would develop a strategy for needs analysis of the new midrange system and place the necessary orders to insure a timely delivery and installation of the upgraded system. Also, systems staff would need to develop a plan for migrating programs and data from the old system to the new.

Within the next year, TRA will need to evaluate its InterNet access and server needs and develop a strategy to either upgrade our web server at the time of the move or plan to move the existing server to the new building with minimal interruption of service to our members.

Based on past upgrades to our infrastructure and pricing available now, the estimated cost of a new midrange system, net network servers and desk top workstations and a new web server would be approximately $1.5 million. The benefit of these upgrades would be the continued, uninterrupted delivery of high quality services to our members.

The timeline of the technology implementation would be on-going but would begin in earnest approximately nine months before our move into a new building. Once we have a firm move-in date, we would begin the process to plan the migration of staff. As with the Department of Revenue Building, we would anticipate sending in our technical employees ahead of time if we purchase all new hardware. If not, we would probably move employees over in stages to minimize the disruption of administrative operations.

Summary: Due to our recent upgrades to our AS-400 midrange computers, wide-spread purchasing of new personal computers, and installation of our new document imaging system in 1998, we anticipate no other major upgrades until the move into the new building. As described above, we would then evaluate our needs prior to the move and develop a project to either build a new or transfer our existing technology infrastructure into the new building.

High-Level Technology Model

Each of the funds has a separate technology model specific to that agency. MSRS uses InterTech to do most of their computer work. TRA uses a mainframe-based architecture. PERA is moving to a PC-based LAN running NT and client-server software with connections to programs still residing on the mainframe. All three funds, however, are connected to the State Centrex system and to MNet. All three funds will require links to satellite offices. And all three funds are linked with InterTech. Each fund will retain the technology model already in use. Because the funds each collect and retain data specific to that fund, no attempt will be made to consolidate Information System hardware, software, or personnel. Data, however, will be shared among the funds for members who belong to more than one fund.

Fund Specific Technolgoy Model

- PERA Technology Model – see Exhibit IV.1
- MSRS Technology Model – see Exhibit IV.2
- TRA Technology Model – see Exhibit IV.3

Requirements for New Systems Integrating into Present PC Network

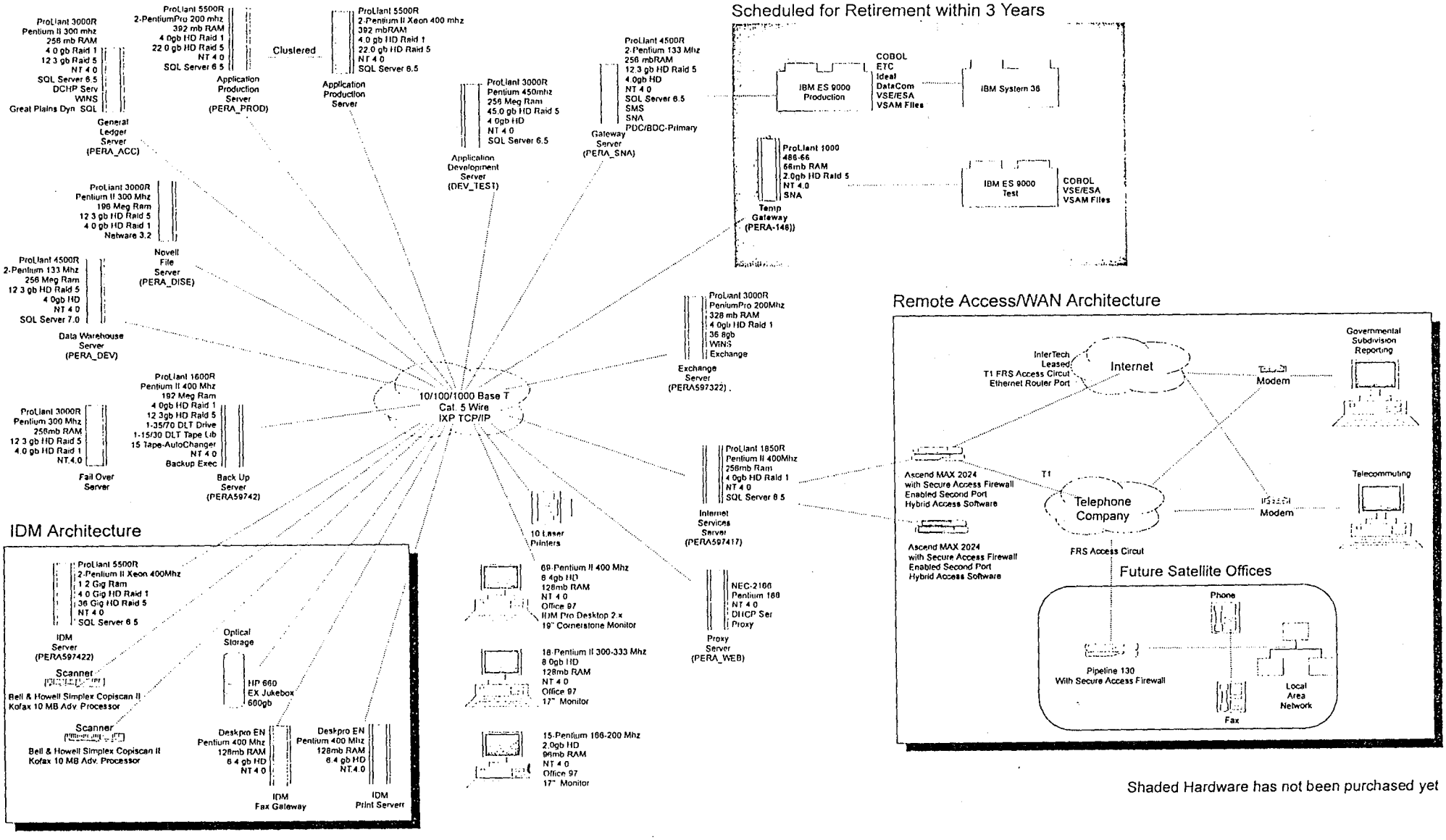
- Fully NDS (Novell Directory Services) Aware
- SNMP (Simple Network Management Protocol) v1 compliant
- MIB (SNMP Management Information Base) v1 compliant
- View Documents in HTML format using Netscape Communicator v4
- Uses TCP/IP as core network protocol
- Supports Token Ring 16 mbs Cat 5 UTP Upgradable to Switched Token Ring

Current WAN (Wide Area Network) System:

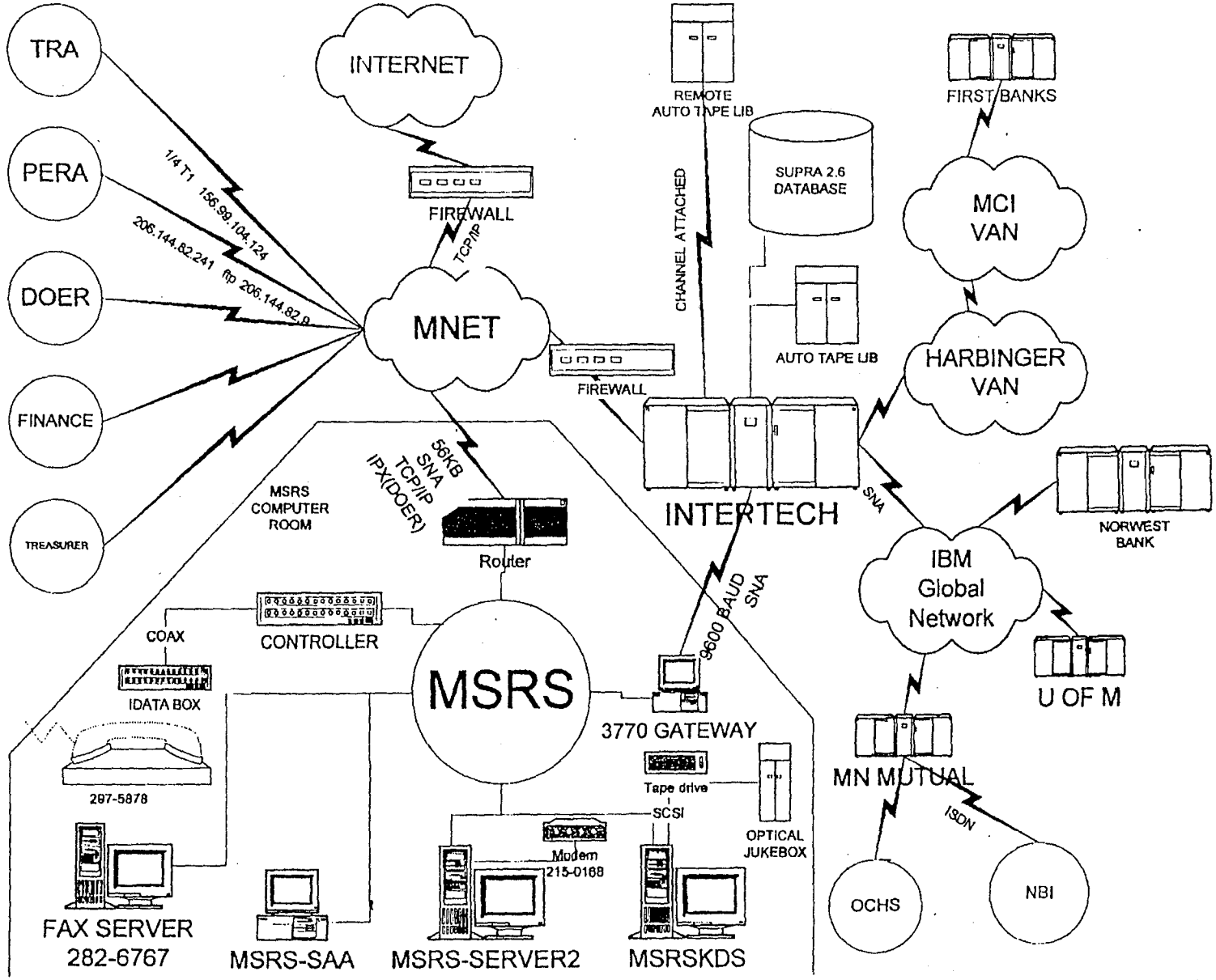
Current Configuration:
2 Cisco 2502 Routers and Wan Master CSU/DSU's routing TCP/IP, IPX, W/Source Route Bridge for SNA
Full T-1 line connecting both office sites. 1/4 T-1 line connecting to Internet, InterTech, and other State agencies.

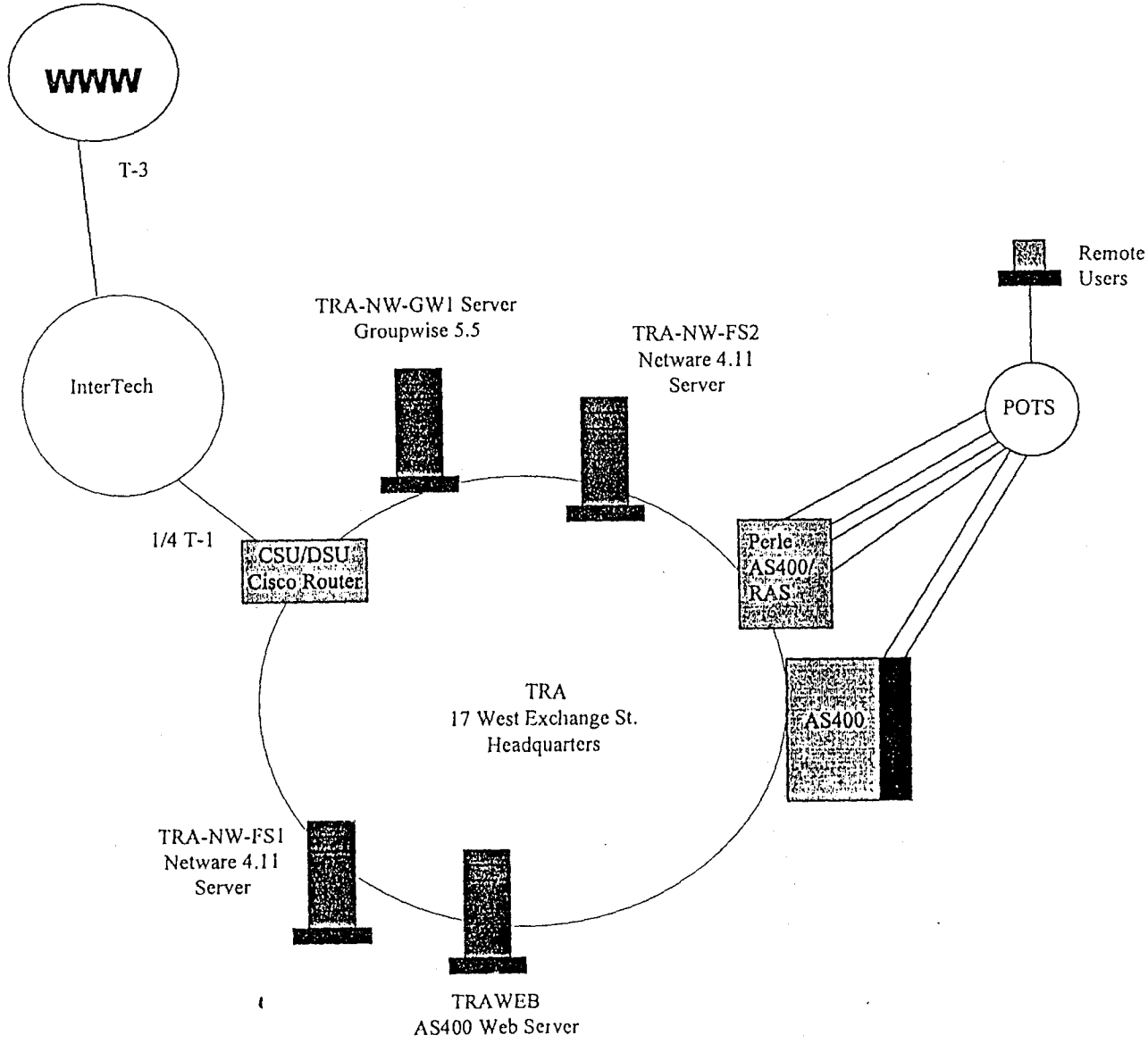
Planned Upgrade:	**Completion Date:**
Firewall between InterTech and LAN's	3rd Qtr 98
Convert all network Protocols to TCP/IP	2nd Qtr 99

MN PERA - Information Technology Architecture



Shaded Hardware has not been purchased yet


TRA
PERA
DOER
FINANCE
TREASURER
1/4 T1 156.99.104.124
206.144.82.241 ftp 206.144.82.9
INTERNET
FIREWALL
TCP/IP
MNET
FIREWALL
REMOTE AUTO TAPE LIB
CHANNEL ATTACHED
SUPRA 2.6 DATABASE
AUTO TAPE LIB
FIRST BANKS
MCI VAN
HARBINGER VAN
INTERTECH
SNA
NORWEST BANK
IBM Global Network
U OF M
MN MUTUAL
ISDN
OCHS
NBI
56KB SNA TCP/IP IPX(DOER)
MSRS COMPUTER ROOM
Router
9600 BAUD SNA
COAX
CONTROLLER
IDATA BOX
297-5878
MSRS
3770 GATEWAY
Tape drive
SCSI
OPTICAL JUKEBOX
Modem 215-0168
FAX SERVER 282-6767
MSRS-SAA
MSRS-SERVER2
MSRSKDS


WWW
T-3
InterTech
1/4 T-1
CSU/DSU
Cisco Router
TRA-NW-GW1 Server
Groupwise 5.5
TRA-NW-FS2
Netware 4.11
Server
Remote
Users
POTS
Perle
AS400/
RAS
AS400
TRA
17 West Exchange St.
Headquarters
TRA-NW-FS1
Netware 4.11
Server
TRAWEB
AS400 Web Server

Current LAN (Local Area Network) Information:

17 W. Exchange St. Office

Current Configuration	Planned Upgrade	Completion Date
* 16 mbs Token Ring		
* (4) Bay Stacker 503/501 Hubs		
* TRA-NW-FS1		
Compaq Proliant 1600		
450 Mhz Pent		
500 meg Ram		
RAID 5 18 GB Drive Space		
NW 4.11		
MS Mail Post Office		
Managewise 2.6	Z.E.N./Managewise/Console1	2nd Qtr, 1999
Arcserve 6.1		
15/30 DLT Tape Back up Drive		
Novell Web Server (NAIS 4)	Netscape FastTrack Server	4th Qtr, 1998
* TRA-NW-GW1		
Compaq Proliant 1600		
450 Mhz Pent		
500 meg Ram		
RAID 5 18 GB Drive Space		
NW 4.11	Netware 5	2nd Qtr, 1999
Managewise 2.6	Z.E.N./Managewise/Console1	2nd Qtr, 1999

480 Cedar Office

Current Configuration	Planned Upgrade	Completion Date
* 16 mbs Token Ring		
* (3) Bay Stacker 503/501 Hubs		
TRA-NW-FS2		
Compaq Proliant 2500		
200 mhz Pent II		
64meg Ram	128 meg Ram	2nd Qtr, 1998
10 GB Raid 5		
15/30 DLT Tape Drive		
IntraNetware 4.11	Netware 5	2nd Qtr, 1999
Arcserve 6.1		
Managewise 2.5	Z.E.N./Managewise/Console1	2nd Qtr, 1999
Novell Web Server (NAIS 4)	Netscape FastTrack Server	4th Qtr, 1998

E. Telecommuting Plan

Telecommuting at MSRS is currently limited to mainframe access. This access is via Intertech supported Services (MNET dialup or IBM global network dialup). Access to the LAN based document server is possible via the internet/MNET, but the response time is severely limited if the users' device is connected to their ISP with a voice grade phone. We have not experienced any significant savings of space or equipment by telecommuting nor do we expect to in the future.

This Telecommuting Plan is that of the Public Employees Retirement Association (PERA). Since the new building proposal is a joint proposal, the PERA plan represents our joint commitment to telecommuting. The other two retirement systems have a similar approach and policy on telecommuting for employees. Selected differences for the Minnesota State Retirement System (MSRS) and the Teachers Retirement Association (TRA) are detailed at the end of Section E.

Executive Leadership and Involvement

Knowing that a telecommunication program needs support and leadership from management to be successful, PERA assigned Rick Deshler as the person responsible for the program. Mr. Deshler is PERA's Information Services Manager. He will be working with a steering committee made up of PERA employees who bring different perspectives to the table. Included on that steering committee will be Dave DeJonge, the Finance Manager; Dave Andrews, an accountant who will be one of the initial telecommuters; Jerry Schmitt, the person in Information Services who will be in charge of preparing PCs for home use and developing a help desk; Marsha Nelson, one of the Pension Services Division supervisors who will bring performance measurement experience; and Terri Elizondo, the Human Resources Director at PERA.

Telecommuting Policy

1. Purpose

These guidelines provide direction for the use of telecommuting at PERA. Technological advances make it possible for some employees to do their work effectively and efficiently away from the "office." In 1996, the State of Minnesota established a "telecommuting program" that encourages state agencies to incorporate telecommuting into their operations. There are several benefits to telecommuting: decreased time (and money) spent commuting; a more relaxed atmosphere to work in; flexibility for the employee; increased productivity; decreased absenteeism; enhanced ability to recruit and retain quality employees; and better accommodation of employee needs. This policy is also a first step in developing a plan for increasing telecommuting by employees who would normally work in our office building, a requirement for state agencies who propose a capital investment plan for a state office building (MS 15.95 Subd. 10).

2. Definition

Telecommuting is the practice of working at home or at a remote site instead of physically traveling to a central work location. It usually is implemented on a part-time basis with part of the work performed at the central work location and part performed at the remote site. It does not apply to ad hoc situations when an employee is working away from the office (at a workshop or conference, for example). Telecommuters generally establish a formal, scheduled work location alternative.

3. Telecommuting Agreement

Employees who telecommute must sign a Telecommuting Agreement. The agreement will formally authorize telecommuting as a regular part of the employee's schedule and note any general limitations. As a part of the agreement, the employee and the supervisor will acknowledge their responsibilities and agree to abide by this telecommuting policy and its guidelines. The written agreement will address:

- Off-site work schedules.
- Availability times and communication methods with customers, supervisor and co-workers.
- Equipment and software needed and who will provide it.
- General work assignments to be performed while telecommuting.
- Statement of Understanding.

4. Equipment

Existing personal computers may be provided to an employee for telecommuting. Generally, however, the office will not buy "extra" equipment or incur additional costs to implement telecommuting. As a result, an employee who telecommutes may have to provide or pay for some equipment and/or services necessary to telecommute. PERA is responsible for installation, testing, maintenance, and upgrades of software when telecommuters use equipment owned by PERA. PERA will also provide necessary software upgrades for telecommuters who use their own equipment. Repairs of PERA-owned equipment are the responsibility of PERA unless the damage was caused by a member of the employee's household. Telecommuters are responsible for promptly notifying their supervisor of an equipment malfunction or failure of equipment. The telecommuter may be assigned to perform different tasks, to assist with repair or exchange of equipment, or to proceed to PERA's office if an equipment failure prevents them from performing assigned tasks. Telecommuters will return state-owned hardware, software, supplies, documents and other information or property to PERA prior to termination of telecommuting or employment.

Software, documents and data provided or created as a result of the telecommuting arrangement are the property of PERA and are to be used for PERA business purposes only. Employees are prohibited from using these software, documents and data and state owned equipment or supplies for personal use. State-owned equipment is covered in PERA's insurance contract. Employee-owned equipment is not. Remote work spaces are an extension of PERA work space during telecommuting work hours only. An employee is covered by the state's Workers' Compensation laws while in telecommuting status. Any injury to the employee that occurs within the course and scope of employment must be reported to the supervisor immediately, using PERA's standard injury reporting process. The telecommuter is responsible for protecting the work space from hazards and dangers that could affect themselves or the equipment, such as faulty or ungrounded electrical outlets. PERA may make visits to the home work site, with advanced notice, to ensure that the equipment and work area are safe and free from hazards.

Provisions of the Minnesota Government Data Practices Act must be followed when performing work at an alternative work location. Telecommuters must provide reasonable security for the data and information that is transported to and from their office site. They must also protect the privacy and confidentiality of data while at the alternate work site the same as they would in PERA's office. Data created and maintained on the telecommuter's home computer, if generated for the purpose of conducting state business, is subject to PERA's record management policies and state statute. Proper retention and disposal procedures are required and such data remains the property of PERA. The telecommuter and supervisor will agree on the type and form of data which will be taken to and from the alternate work site and agree on the security and transfer process necessary to meet the needs of PERA.

5. Schedule and Communication Plan

The work schedule will be determined by the supervisor and the employee according to PERA policy and the bargaining agreement ahead of time. The work schedule of an employee who telecommutes is always subject to review and approval by the supervisor. Unless other arrangements are made, the employee will be expected to attend all assigned office meetings relating to the performance of the job, including those which would normally be held on a telecommuting day. If an employee is required to work at the office on a day that would have otherwise have been a telecommute day, his/her supervisor may approve an alternate telecommute day. Telecommute days, however, do not accrue, and the employee is not "due" a telecommute day. Travel to and from PERA's office shall not be considered as compensable hours, and mileage between PERA and the telecommuter's home shall be considered commute mileage and not subject to reimbursement.

A telecommuter who is scheduled to be working at home on a day that is declared to be a weather emergency is expected to work at home as scheduled. Telecommuters must be reachable, within reason, during agreed upon hours. An effective communication strategy will be worked out with the supervisor prior to telecommuting.

6. At-Home Work Space Responsibility

The telecommuter is responsible for establishing and maintaining adequate work space at home. The telecommuter must designate a home work space, subject to the approval of the supervisor. The telecommuter will be responsible for absorbing all costs related to permanent improvements in the home such as remodeling or electrical modifications if needed. The work space must accommodate the equipment needed for work while telecommuting. Federal and state tax implications of telecommuting and use of a home office are the responsibility of the employee.

7. Dependent Care

Telecommuting is not a substitute for dependent care. The work hours agreed to in the telecommuting agreement cannot be used for the care of dependents. An employee who has a sick child at home on a scheduled telecommuting day may use sick leave for that portion of the day when caring for the child.

8. Responsibilities

In summary, there are several responsibilities for the telecommuter and the supervisor. They are as follows:

a. Employees:

- Make their requests for telecommuting directly to their supervisor.
- Use only approved software and remote access systems.
- Keep equipment, software, data, supplies and furniture provided by PERA for telecommuting reasonably secure in a defined work space, protected from hazards and dangers that could affect the equipment and/or persons.
- In case of injury while working at the remote site, notify his/her supervisor immediately.
- Maintain and repair own equipment, which the supervisor and employee have mutually agreed would be used at the remote site for PERA business.
- Be reachable by telephone, within reason, during agreed upon work hours.
- Attend all assigned office meetings including those which would normally be held on a telecommuting day.

b. Supervisor:

- With division manager, review each request based on the selection criteria. Approve or disapprove requests for telecommuting.
- If telecommuting is approved, develop a written telecommuting agreement in conjunction with the employee.
- Assign PERA owned equipment to the remote site for use by the employee or permit the use of employee owned equipment.
- Consider assignment of employee to another project or work location in the event of an equipment malfunction which precludes employee from performing work assignments at home.
- Measure work performance and customer service.
- Identify and provide for employees training required to implement successful telecommuting experiences.

Public Employees Retirement Association
TELECOMMUTING AGREEMENT

INSTRUCTIONS

After reading the PERA Telecommuting Policy, this agreement should be completed by the telecommuter and his/her supervisor, then signed by the division manager.

TELECOMMUTER INFORMATION

Telecommuter Name:_____

Telecommuting Location: ____Home ____Telework Center ____Other (specify)_____

Telecommuting Address:_____

Telecommuting Phone:_____ Pager Number_____

Description and location of at-home work space:

TELECOMMUTING SCHEDULE

Number of telecommuting days per week:_____ Telecommuting Hours:_____ to _____

Telecommuting Days: ____Mon ____Tue ____Wed ____Thu ____Fri ____Variable

Date telecommuting will begin:_____/_____/_____

Other details:

COMMUNICATION

Which of the following communication methods will be used while telecommuting?

- ❑ Call Forwarding
- ❑ Answering Machine / Voice Mail
- ❑ Office E-Mail
- ❑ Home E-Mail (List Address)
  _____
- ❑ Pager
- ❑ Co-Worker takes calls
- ❑ Other
  (specify):_____

EQUIPMENT

Please list the equipment needed at the telecommuting site and who will provide that equipment. Also indicate what software you'll need to handle your at-home work assignments.

PERA	Employee	Equipment / Software Required	Asset # or Serial # if PERA-

NOTE: *Equipment, software, data, supplies and furniture provided by PERA must not be used for personal use and must be kept reasonably secure in a defined telecommuting office, protected from hazards that could affect the equipment or jeopardize the privacy of the data.*

WORK ASSIGNMENTS

Briefly describe the work assignments that will be handled at home by the telecommuter:

Work Assignment	Estimated Time Spent

STATEMENT OF UNDERSTANDING

We have read and understand the PERA Telecommuting Policy, and agree to the obligations, responsibilities and conditions as stated in that policy. We understand that the terms and conditions of this agreement may be changed or may be terminated at any time by PERA or by the telecommuter. This agreement will not impede the telecommuter's service to customers, the ability of the supervisor to assign responsibility and measure performance, or the duties, obligations, responsibilities and conditions of employment with PERA. We have discussed and agree to the conditions of this telecommuting agreement.

Telecommuter Signature Date

Supervisor Signature Date

Manager Signature Date

Telecommuting Program Description

1. Job Characteristics

PERA is a service agency that works one-on-one with local government employees throughout the state to help them plan for retirement. Because of that direct contact with customers, telecommuting is not available to all employees. There are certain jobs, however, that lend themselves to telecommuting. If a job includes some of the following types of functions, it may be a job that can be done at home:

- Computer programming and documentation
- Word processing
- Account reconciliation
- Planning and coordination
- Research

The characteristics of these jobs that lend themselves to telecommuting are:

- High degree of computer skills
- Minimal staff support and interaction with co-workers
- Minimal face-to-face contact with members
- Well defined job objectives and output that can be measured

Our telecommuting plan calls for an initial pilot using a small number of employees who work in the Finance Division or Information Systems Division. These employees require limited access to our data and have a high degree of computer skills. They do not have contact with members and are able to work autonomously. As we develop the program, we will work with the supervisor of each department to determine the viability of telecommuting for that department.

2. Goals

PERA has developed five major goals we hope to achieve through telecommuting:

Goal # 1: Increase satisfaction level, productivity, and morale of employees. Studies have shown that telecommuters are generally more productive, experience less stress, experience enhanced job satisfaction, and have fewer job-related expenses.

Goal # 2: Increase employee retention rate. With state unemployment rates at all time lows, it is increasingly difficult to hire and retain quality employees. Telecommuting offers PERA employees a valuable benefit that not all employers offer. We hope it is valuable enough to motivate employees to stay at PERA.

Goal # 3: Improve the quality of the environment, community and family. Decreased traffic, decreased fuel consumption and air pollution, increased employee presence in communities, and increased time spent with families rather than commuting is a positive result of telecommuting that affects everyone in the community.

Goal # 4: Improve Customer Service. Our long-range goal of telecommuting is to establish satellite offices in out-state Minnesota to "meet the customer where they're at."

Goal # 5: Minimize the need to increase office space. Though we do not expect to reduce office space needed to service our members, we do believe we can slow down the rate of growth. Employees will only be telecommuting 1-2 days a week and will still want their own workspace when they are in the office. Their workspaces can be used by temporary employees, however, on the days when telecommuters are working at home, eliminating the need to find permanent workspace for temporary employees.

3. Information Technology Needed

Though PERA is just beginning to plan the technological infrastructure needed to provide secure remote access, a basic plan has been developed. Using a bank of 24 modems and a T1 line installed at PERA's office, telecommuters will be able to call in and connect to our network as if they were another node on the network. Telecommuters will need PERA's Office Suite installed on their home PC in order to connect to e-mail and work with files. Users will be authenticated and given the same general access they have on-site. We have yet to decide whether telecommuters will be able to use analog modems or will need to connect via ISDN, DSL, or a similar digital form of communication.

Implementation Plan

Telecommuting will be implemented in three separate phases. During Phase 1, a select group of employees will pilot the program with very limited access to our database. This phase, beginning in May of 1999, will allow certain Finance Division and Information Systems Division personnel the opportunity to do limited amounts of work at home using development, word processing and spreadsheet tools that do not require remote access of our data. We will use this phase to develop the "basics" like, how to supervise and monitor the performance of telecommuters, how to communicate with telecommuters, how to provide the hardware and software help needed when at home, how to send and receive e-mail messages, and how to set up and monitor the telecommuter work site.

The second phase, which begins in the fall of 1999, will expand the program by allowing access to our data and programs. We will have the technological infrastructure firmly in place to allow secure remote access for employees who work at home. The pool of potential telecommuters will expand to include employees who have data entry or word processing tasks; research analysts; field workers; and those working on special projects. During this phase we will develop the technological knowledge required to establish a larger program: how files will be sent back and forth; how remote access will affect our network; how large files will be transferred; and what type of phone service will best serve the needs of the agency and telecommuters.

The third phase will be the establishment of leased satellite offices, and will most likely begin in late 2001. We will station permanent staff at these outer-Minnesota sites who are able to counsel members and help regional employers. These remote sites will be connected to our data and programs remotely most of the day, and will need quick access to information. During this phase we will fully develop 24-hour secure remote access—not only for these remote sites, but for PERA's members and employers. Planning for these remote sites will not begin until the year 2000.

The Implementation and Schedule Plan for phases 1 and 2 is as follows:

	Responsibility	Completion Date
Develop Telecommuting Policy	Steering Committee	Done
Develop Telecommuting Agreement	Steering Committee	Done
Approve Policy & Agreement	MESSAGES	February 1999
Finalize Implementation Plan	Steering Committee	February
Finalize Help Desk	Steering Committee	March
Recruit Telecommuters—Phase 1	Managers	April
Train Telecommuters & Supervisors	Steering Committee	April
Prepare PC for home use with needed software and hardware	IS—Rick Deshler	May
Implement Phase 1		May
Interview Supervisors & Telecommuters for "lessons learned"	Steering Committee	September
Interview co-workers for "lessons learned"	Steering Committee	September
Put hardware in place to allow secure remote access to PERA data	IS—Rick Deshler	September
If necessary, modify policy and agreement	Steering Committee	September
Determine which departments will be allowed to participate in Phase 2	Managers	October
Supervisors recommend telecommuters for Phase 2	Supervisors	October
Implement Phase 2		November

Statement of Impact on Utilization of Office Space

After reading the results of several other pilots we do not anticipate a reduction in needed office space, though we do expect that we will be able to control the increase in future office space needs. Although telecommuters will still be given private workspaces at PERA to be used the 3-4 days they work at the PERA office, those workspaces will be used to house temporary employees when telecommuters are working at home. As telecommuting evolves we envision customer service representatives working at home; a group of counselors and educators working permanently at satellite offices; and even Supervisors monitoring performance from their homes.

Though the future looks bright for telecommuters, we are still an agency that works face-to-face with government employees and retirees. Those employees and retirees like the customer service they receive from PERA personnel through personal counseling sessions, workshops and office visits. During the next few years that direct contact will not be easily replaced with the internet or video kiosks. Retirees value and enjoy the personal one-on-one relationships they establish with PERA employees. In order to provide the quality customer service those government employees and retirees have come to expect, PERA will continue to have a central office used for counseling and training.

MSRS Supplement to PERA Plan For Selected Differences

1. Executive Leadership and Involvement

The Telecommuting Committee for MSRS consists of Arvin Herman, Assistant Director for Finance and Systems; Robert Sjoberg, Data Base manager; Ronald Schweitzer, Assistant Director for Employee Services; and Joseph Hutton, an Information Technology Specialist who is currently the only MSRS employee who telecommutes.

2. Equipment

The current MSRS telecommuter uses his own equipment in his home. Access is limited to the MSRS data base on the main frame computer at the Department of Administration's Technologies Group. The communication is handled through the IBM Information Network over telephone lines.

3. Implementation Plan

The Implementation Plan and schedule does not apply since MSRS has had a telecommuter since 1997. Future expansion of telecommuting will depend on the work activities and the employees performing that work.

TRA Supplement to PERA Plan For Selected differences

1. Executive Leadership and Involvement

The Telecommuting Committee for TRA for developing a formal policy on telecommuting consists of Gary Austin, Executive Director; John Wicklund, John Gardner, and Judy Strobel, Assistant Executive Directors. In addition, selected managers will be asked to participate in the development of the policy including Geoff Strub, Systems Manager. A formal policy is anticipated for finalization during the second quarter of 1999.

2. Equipment

TRA would supply the necessary equipment for the employee to properly work at home. Telecommuting would likely be approved very similarly as described in the PERA policy and TRA would not incur any additional expenses for the telecommuter than what would be incurred if the employee worked directly on the premises.

3. Implementation Plan

Employee demands and state policies encouraging telecommuting point that TRA needs to address this issue within the coming months. A policy will be in place in 1999 and the related hardware and technical connectivity issues reviewed as part of the technology implementation plan discussed elsewhere in the report.

F. Transportation Management Plan

An informal survey of employees from the three retirement agencies indicates that the majority of the employees commute to and from work in single-occupancy motor vehicles. Some employees participate in informal car pools developed through workplace relationships. A smaller number of employees, probably less than 10 percent, commute in a more general car pool with riders working in other state agencies. Mass transit and walking are other modes of commuting noted. Surveys of our customers indicate that they value easy freeway access and adequate parking when they visit our offices for counseling and other retirement services.

The location of the building will certainly have a large impact into the methods used by employees in their daily commuting lives. Collocation of all four agencies will certainly afford more opportunities to reduce automobile traffic as a result of increased use of car pools resulting from the increased concentration of employees in one building. A downtown or St. Paul location would likely facilitate better use of mass transit and car pool options. A suburban location would have the advantage of greater amounts of parking and the dispersal of traffic congestion away from the downtown area.

Management of the three associations will encourage employee carpooling and other arrangements including the promotion of preferential parking spaces for multi-occupancy vehicles. We intend to promote this through internal means such as staff meetings and other communications. Employees will also be encouraged to work with the state van commuter program through the Department of Administration.

CHAPTER V

LOCATION CONSIDERATIONS

A. CRITERIA

In July 1998, site selection criteria were prepared for the proposed Minnesota Retirement Systems Building which will require approximately 130,000 GSF of space and approximately 450 parking spaces. To minimize project costs, a large site of a minimum of seven acres should be identified to avoid the construction of costly parking structures which could increase project costs by up to $10,000 per parking space or a total of $5,000,000. The specification we developed earlier is summarized below:

1. A minimum of four acres, (now increased to seven) of relatively flat land with 90% of the site developable for building footprint or surface parking.

2. Located directly on a main, two-directional artery, or highly visible from the artery, currently allowing access from two directions to the site.

3. Located close to the City of St. Paul and its surrounding Metropolitan area.

4. Currently zoned for office use and allowing development of up to 200,000 gross square feet of building.

5. Preferably this site will be located within lunchtime walking distance of shops and food service facilities.

6. Site has clear title represented by the offeror, who is willing to extend to the State an option to purchase the site. The option would be granted around December of 1998 and would be valid through June 1999 at minimum cost.

7. Prefer that the site is located directly on, or very convenient to, an existing bus transit line.

Subsequent refinement of the program to support growth through the year 2010 reflects a need for 131,000 gross square feet and 450 parking spaces. Site plans confirm a minimum of seven acres is required.

B. ALTERNATIVES

The Department of Administration solicited site opportunities from the City of St. Paul and through advertising. The Department also investigated the Saint Paul area to identify potential sites. A total of five sites were proposed by the City and an additional four presented by Administration. A summary of why these sites were not selected follows:

1. Phalen Village, 5 acres

   - Irregular configuration, inefficient parking layout.
   - Requires high density site plan, limited expansion given updated requirement for minimum of seven acres is required.
   - Not close to freeway access for staff , and retirees and members.
   - Redevelopment area with unattractive surroundings.
   - Acquisition of existing apartments increases site acquisition costs. The neighborhood is not conducive to visits from elderly members who may not feel safe.

2. Payne/Wells, 4 acres

   - Less than minimum site area would add $3,000,000 to construction cost for parking structure.
   - Too small for cost efficient development.

3. Hamm's Administration Building, 2 acres

   - Less than minimum site area would add $6,000,000 to construction cost for parking structure.
   - Very irregular configuration.
   - Existing vacant building requires demolition.

4. Payne/Reaney, 4.5 acres

   - Numerous existing buildings and businesses to acquire to clear the site.
   - Smaller than minimum seven acres required.
   - Cost to share existing parking structure unknown.

5. Whitall/Edgerton, 8 acres

- Adjacent to railroad yard.
- Lower portion of site below surrounding streets.
- Parking would be "downhill" from building.
- Building would be in a residential area where a four level preferred building would be out of scale with surrounding residential units.

Four additional sites were identified by Administration. They are:

6. Site A, 2 parcels, 4.4 acres, (Jackson, Sibley, 9th & 10th)

- 13 owners to deal with to acquire site.
- Requires street closure of Sibley between 9th and 10th.
- One building potentially of historical significance.
- Cost of tenant relocation and purchase of viable businesses.
- Time to assemble site could delay project.
- Site assembly cost estimated at between $3,300,000 (tax appraisal) and $7,000,000 with tenant relocation and demolition. This could average $36 per square foot.
- Small size will require construction of a parking structure for about 150 vehicles at a cost of $1,500,000.

7. Site B, 3 blocks, 4.6 acres (Jackson, Wacota, 8th, 9th).

- 14 owners to deal with to acquire site.
- Requires street closure of Temperance & Sibley between 9th and 8th.
- Cost of tenant relocation and purchase of viable businesses.
- Time to assemble site could delay project.
- Site assembly cost estimated at between $2,200,000 (tax appraisal) and $4,200,000. This would average at least $32 per square foot.
- Small size would require development of a parking structure.

Use of Sites A or B would require relocation of existing businesses and construction of parking structures which would make economic objectives of the proposed building project unattainable.

8. Site C Capital Campus 1.75 acres (Como, Capital Heights, Charles & Cedar).

This 75,000 square foot site is located on the State Capital Campus, just above, to the north of the Dept. of Administration Building on a site now used for parking. The site acquisition cost is nominal at around $250,000. The difficulty with this site is the unavailability of the required 450 parking spaces which would cost between $5 and $6 million to construct on an adjacent sloping State owned site. The State has no appropriation for this and no plans to provide the additional parking. If provided by the State, Retirement Systems staff would participate in the parking pool and pay approximately $35 per space per month. This equates to $189,000 per year or a present value of $3,780,000.

With no plans to provide adequate parking and the high cost of it, if provided, Retirement Systems has not expressed interest in pursuing this site further.

9. Site D; 9 acres (State, Eaton, Florida, and Lafayette Frontage Road).

This site is two blocks from the current MSRS office, is level, and currently partially used for parking. It is owned by the Saint Paul Port Authority who has notified the State that the site is not for sale and has development restrictions relating to the nearby City of Saint Paul Airport.

C. SITE EVALUATION CRITERIA

A specific location for the facility is not being proposed at this time. This will provide the Minnesota Retirement Systems and the Department of Administration with maximum negotiating strength when evaluating and selecting a site after anticipated legislative approval. That evaluation and selection will employ the following process.

A number of potential sites have been identified in areas surrounding the City of Saint Paul. Each potential site that is available and identified by the Department of Administration will be evaluated using the following criteria:

1. Acquisition cost
2. Development Cost
3. Size
4. Topography
5. Configuration
6. Convenient access to customers
7. Access from major highways
8. Proximity to State Capitol
9. Soil conditions
10. Access to public transportation
11. Community Master Plan & Zoning
12. Environmental Impact
13. Availability of utility hookups
14. Topography
15. Adjacent land uses
16. Traffic Patterns
17. Visual corridor
18. Potential for expansion
19. Proximity to services
20. Ownership (title, negotiations)
21. Security

CHAPTER VI

COST EVALUATION

This chapter develops an estimated cost for the development of a new facility for the Minnesota Retirement Systems and presents an evaluation of the economics associated with ownership or leasing of required space.

A. Cost Estimate Assumptions

The construction cost that has been estimated for this project was based on a number of assumptions. The assumptions include:

1. The building will total 131,000 gross square feet.

2. The facility will provide 86,000 NSF of space for occupancy by the three Retirement Systems and the State Investment Board. This includes an allowance of 8,732 square feet for SIB. In addition, 18,800 NSF is provided for long term expansion to accommodate growth after the year 2010. This space will initially be occupied by a number of State departments that now occupy small portions of leased space throughout the Capitol Complex or in the Greater St. Paul area that would be compatible with occupancy in the Retirement Systems Building for a period of from five to fifteen years.

3. The building will be an efficient facility with a ratio of 80% net to gross area.

4. Parking will be provided on the basis of single vehicle spaces for 85 percent of the employees. This assumes that 15% of the staff will car pool, use public transportation or an alternative means to get to work. A total of 430 parking spaces are provided.

B. Construction Costs

1. Core or Shell

A breakdown of all the costs associated with the actual construction of the building is presented on Exhibit VI.1. The costs breakdown developed by CPMI who assisted the SGS Group and provided project management services for the Department of Revenue Building. The quality of construction is assumed to be similar but not in excess of that provided by the recently completed Department of Revenue Building. Actual construction costs for the building would be $91.21 per square foot. This $11,949,000 cost excludes site development, parking and landscaping costs. Including those costs, the allocated costs for the building would be is $99.73 per square foot and total $13,062,520.

An allowance of 10.47% of the actual hard construction costs is included for general conditions, overhead and profit of the contractor.

At this early state of development it is believed that a 10 percent design contingency would be appropriate. All of these costs are shown in Exhibit VI.2 which totals $14,524,330 or $110.87 per GSF.

2. Interior Costs

Interior costs of $3,392,000 are provided for the development of interior finishes. This is computed based on an allowance of $34 per sq. foot for the 86,000 sq. feet of space occupied by the Minnesota Retirement Systems and an allowance of $26 per sq. foot for the 18,800 NSF provided for other State tenants who would sublease space. These finishes are compatible with allowances provided in commercial buildings that are leased by the State and with the finishes provided in the recently completed Department of Revenue Building.

3. Total Construction Costs

The construction cost of $19,270,500 is shown on Exhibit VI.4.

C. Development Costs

In addition to the hard construction cost associated with building, there are a number of related costs for land, design and other elements. These costs are:

1. Land Costs.

We have assumed a "suburban" site of a minimum of seven acres is acquired at $6.00 per sq. foot. This allowance anticipates that any existing structure, site clearing, and soil remediation (if required) would be performed by the seller prior to the State for procuring the site. In a number of instances, sites that have no environmental cleanup requirements or existing conditions to demolish are available to purchase in the $3.00 to $5.00 per sq. range. A site acquisition allowance of $1,800,000 is considered quite adequate and would allow procurement of any one of a number of sites in the 7 acre size range that are available throughout the Greater St. Paul. This is shown on line A5 of Exhibit VI.4.

2. Furniture, fixtures, and equipment (FFE)

Exhibit IV.3 identifies an estimate of $374,600 for the procurement of furniture. A portion of this furniture is in support of additional staff anticipated from the year 2000 forward to the year 2015. After taking into account furniture for expansion, a budget of $900,000 was developed for procurement of workstations,

furniture system workstations to replace component furniture for those staff currently occupying enclosed private offices in existing space who will move to open space in the new facility, plus supplemental furniture for additional support spaces, conferences rooms and public furniture area that is not now available. Exhibit VI.4, lines E.5, E.6, and E.7 display this cost.

3. FF&E Core and Shell

This provides public area seating, site furnishings, and equipment and furnishings in common areas; such as, the lunch room, lobby, and the loading dock and maintenance area. An allocation of $481,800 is shown on line E.1 of Exhibit VI.4.

4. Information Systems

An allowance of $1,156,200 is made for telecommunications equipment. This equipment might include servers, distribution equipment and hand sets for expansion staff. The Systems plan to relocate their existing telephone switches, servers, distribution equipment, and handsets. This allowance includes funds for installation of a LAN/WAN network serving all Retirement Systems staff. This includes wiring from the central equipment area into the riser backbone system throughout telephone and data closets located on each floor, and to each Retirement Systems workstation. A total of 300 termination points will serve 270 staff in year 2005. This cost is shown on line E.3.

5. Security

An allowance of .75% is included for security hardware, closed circuit TV cameras, motion detectors and other security devices to secure the building. This is not to be confused with security equipment that might be provided within the Minnesota Retirement Systems space and is thus included in the interior development allowance. The security budget is shown on line E.2.

6. Relocation

An allowance of $500 per person is included to relocate the Minnesota Retirement Systems to the new building. This allowance is for the actual moving costs. The relocation allowance is shown on line E.4.

7. Contingency

A project contingency of 5% of the base construction cost is shown on line G.1

8. Inflation

Inflation estimate totals 11.2% of the construction budget. This adds $3,027,000 to the budget.

D. Total Project Cost

All of the costs related to the project have been summarized in Exhibit VI.4. The total cost of the project is estimated at $32,076,700. This includes an allowance for inflation between the time of this estimate, January 1999, and construction. Construction inflation costs are assumed to be 5% per year. Overall, an expenditure of $32,076,700 for the complete project including all hard and soft costs, furniture, inflation, land costs and contingency equates to a total project averaging $245 per square foot provided.

E. Economic Evaluation

The Department of Administration developed a comparative cost analysis for the Retirement Systems (Public Employees Retirement Association, Minnesota State Retirement System and Teachers Retirement Association). The analysis compared costs of leasing a facility versus constructing and owning a joint facility financed by cash. Life cycle cost analysis is used as the cost comparison method.

1. Life Cycle Cost Analysis

Life cycle cost analysis, is the process of accounting for all the related costs over the life of the project, that results in a comprehensive comparison rather than a comparison of only initial costs. Leasing costs include rent payments and space alteration costs. The costs associated with the construction and operation of a facility include land acquisition, design, construction, building operations and space alterations. The residual value (equity) of the land and building is subtracted from the overall present value cost of owning the project to determine the cumulative life cycle cost.

2. Cost Comparison Summary

The cost to lease 70,141 useable square feet of space in a facility versus the cost to purchase the land, construct and operate a 98,173 useable square foot facility was analyzed. The construction and ownership option factored in 28,032 useable square feet of expansion space, which is leased out to other State tenants. The Retirement Systems would realize an estimated cost savings of $20,503,330 on a life cycle cost basis over a 30-year period by constructing and owning a facility rather than leasing. This is a savings of almost 50% of the total cost of leasing over the same timeframe.

3. Cost Data

All construction cost data was developed by CPMI and The SGS Group and was presented in the Project Development Cost on Exhibit VI.4. A summary of that data is presented on Exhibit VI.5. There has been some very minor adjustment of costs from those presented in Exhibit VI.4 to be compatible with the format received by the State's computer analysis program. A graph depicting the cumulative costs over 30 years is presented on Exhibit VI.6. This shows the cost of ownership (considering residual value) and the cost of leasing "breaking even"

two years after occupancy. A complete summary of all costs for both alternatives is available from the System and the Department of Administration.

Lease Analysis:

Useable square feet	70,141
Initial lease rate	$24.18 per square foot
Annual rent (2001)	$1,402,820
Annual increase in rental rate	4.00%

Construct and Own Analysis:

Useable square feet	98,173
Expansion space	28,032
(To be leased out until needed)	
Construction cost (Land & building)	$32,076,700
Annual repair & alteration	$382,040

4. Life Cycle Cost Analysis Summary

Alternative	20 Year Cost	30 Year Cost
Lease	$28,717,030	$44,747,150
Construct and Own	$16,231,510	$24,243,820
Savings by construction and owning rather than leasing	$12,485,520	$20,503,330

Direct Costs Parameter Summary
Building = 131,000 GSF

System	System Sys. Measure Unit	S/Sys. Unit	$/GSF	Total Amount	% of Total
01 Sitework (Parking/Drives/Landscape/Utilities	305,000 SITSF	3.65	8.50	1,113,250	8.52%
02 Foundations (Coner Ftgs/Fndtn Walls/Wtrprf/Dock)	131,000 BLDSF	1.35	1.35	176,850	1.35%
03 Floors (Steel/Comp Deck/Concr/Firepf/Stairs) (Floor & Ceiling Finishes/Access Floor)	131,000 BLDSF	21.75	21.75	2,849,250	21.81%
04 Columns (Steel @ 21'x42' Bays/Firepf)	2,600 COLLF	83.00	1.65	215,800	1.65%
05 Roof (Steel Beams/Firepf/Deck/Roofing)	32,750 RFSF	14.50	3.63	474,880	3.64%
06 Exterior Wall (20% Stone/80%Brick/Gyp Inside Paint)	31,820 WLSF	33.00	8.02	1,050,060	8.04%
07 Exterior Glazing (Insulated Alum-30% Wall)	13,640 OPGSF	42.00	4.37	572,880	4.39%
08 Interior Walls (Stud/Gyp Bd/Paint/VWC/Special)	47,500 WLSF	9.50	3.44	451,250	3.45%
09 Doors & Hardware (Doors/OH Doors)	2,700 DRSF	60.00	1.24	162,000	1.24%
10 Specialties (Toilets/Misc)	131,000 BLDSF	1.25	1.25	163,750	1.25%
11 Equipment/Casework (Millwork/Kitchen)	131,000 BLDSF	2.50	2.50	327,500	2.51%
12 Conveying Systems (Traction Elevators)	131,000 BLDSF	4.58	4.58	600,000	4.59%
13 Plumbing (Plumbing Fixtures)	100 FIXT	3,900.00	2.98	390,000	2.99%
14 Fire Protection (Wet Sprinkler System)	131,000 BLDSF	1.30	1.30	170,300	1.30%
15 HVAC (Heating & Cooling)	300 TON	6,950.00	15.92	2,085,000	15.96%
16 Electric w/A.C. (Service/Devices/Lighting)	131,000 BLDSF	11.50	11.50	1,506,500	11.53%
17 Special Electric (Fire Alarm/Sound/Emerg/Tele Conduit)	131,000 BLDSF	5.75	5.75	753,250	5.77%
TOTAL DIRECT COSTS			**99.73**	**13,062,520**	**100.00%**

Construction Costs Summary
Building = 131,000 GSF

Description	$/GSF	TOTAL AMOUNT	% OF TOTAL
Sitework	8.50	1,113,250	8.52%
General Construction	53.77	7,044,220	53.93%
Mechanical Construction	20.19	2,645,300	20.25%
Electrical Construction	17.25	2,259,750	17.30%
Subtotal Direct Costs	99.71	13,062,520	100.00%
General Conditions, Overhead & Profit	10.47	1,371,560	
Subtotal	110.18	14,434,080	
Design/Bidding Contingency – 10.00%	11.02	1,443,410	
TOTAL JANUARY 1999	**121.20**	**15,877,490**	
SITEWORK CONSTRUCTION COSTS	**10.33**	**1,353,160**	
BUILDING CONSTRUCTION COSTS	**110.87**	**14,524,330**	

		Qty.	Unit Cost	Cost	
PERA					
Conference Room	240 SF	1	$ 7,200	$ 7,200	
Interview Rooms	2 @ 140 SF	2	$ 1,200	$ 2,400	
Support Modules	5 2'x16'	5	$ 1,000	$ 5,000	
Expansion Workstations	13 @ average of 64 SF	13	$ 3,400	$ 44,200	
Panels for Staff in Offices Now		4	$ 1,200	$ 4,800	
	Subtotal				$ 63,600
MNSRS					
Reception/Waiting	264 SF	1	$ 3,000	$ 3,000	
Support Modules	3 @ 2'x16'	3	$ 1,000	$ 3,000	
Expansion Workstation	3 @ average of 64 SF	3	$ 3,400	$ 10,200	
	Subtotal				$ 16,200
TRA					
Reception/Waiting	721 SF	1	$ 10,000	$ 10,000	
Interior Rooms	2 @ 140 SF	2	$ 1,200	$ 2,400	
Conference Room	600 SF	1	$ 2,100	$ 21,000	
Support Modules	5 @ 2'x16'	5	$ 1,000	$ 5,000	
Expansion Workstations	36 @ average of 64 SF	15	$ 3,400	$ 122,400	
Panels for Staff in Office Now		20	$ 1,200	$ 24,000	
	Subtotal				$ 184,800
COMMON AREAS					
Lobby and Public Areas		1	$ 14,000	$ 14,000	
Boardroom	1200 SF	1	$ 40,000	$ 40,000	
Cafeteria	80 Seats	1	$ 20,000	$ 20,000	
Training Rooms	50% of 2400 SF	1	$ 18,000	$ 18,000	
Computer Training	1080 SF	1	$ 18,000	$ 18,000	
	Subtotal				$ 110,000
	TOTAL FURNITURE COST				$ 374,600

DESCRIPTION	QUANTITY		TOTAL CONSTRUCTION
A. PROJECT SUPPORT			
1.Project Support Consultants/Commissioning - 1.75%	1 LS		337,200
2.Construction Inspection & Testing/Misc - 1.50% D	1 LS		289,100
3.State Project Expenses - 0.750%	1 LS		144,500
4. Construction Support/Site Rep - 2.50%	1 LS		481,800
5. Land Cost (Acquire 7 Acres)	1 LS		1,800,000
6. Environmental Allowance/Abate/Hazardous waste	1 LS		250,000
SUBTOTAL PROJECT SUPPORT			3,302,600
B. PREDESIGN			
1.Predesign Services	1 LS		150,000
C. ARCHITECT/ENGINEER (D&E)			
1.Design & Constr Admin Fees - 7.00%	1 LS		1,545,600
2.Reimbursable Expenses - 5.0%C.1	1 LS		77,300
3.Special Consultant Fees - 1.50%	1 LS		331,200
SUBTOTAL ARCHITECT/ENGINEER			1,954,100
D. CONSTRUCTION COSTS			
1. New Office Facility	131,000 GSF	110.88	14,525,300
2. Sitework Grading & Landscaping/Amenities	0 GSF	3.15	413,200
3. Sitework Parking For 450 Cars	0 GSF	4.81	630,000
4. Sitework Utilities	0 GSF	2.37	310,000
5. Tenant Interiors - Retirement (86,000 sf x $34/sf)	0 GSF	22.32	2,924,000
6. Tenant Interiors - Lease Space (18,000 sf x $26/sf)	1 LS	3.57	468,000
SUBTOTAL CONSTRUCTION	131,000 GSF	147.10	19,270,500
E. OCCUPANCY			
1.Furniture, Fixtures, & Equip. - 2.50% (Core & Shell)	1 LS	3.68	481,800
2. Security - 0.75% D	1 LS	1.10	144,500
3.Telephone/Data Equipment/Cabling/Phones - 6.00%	1 LS	8.83	1,156,200
4. Relocation/Moving ($500 x 255 People)	1 LS	0.97	127,500
5. Dept. Furniture (50 ea x $4,500/ea) - 25% New	1 LS	1.72	225,000
6. Dept. Furniture (150 ea x $3,500/ea) - 75% Refurbished	1 LS	4.01	525,000
7. Support Furniture	1 LS	1.15	150,000
SUBTOTAL OCCUPANCY		21.45	2,810,000
F.STATE ARTS			
1.State Arts Board Arts - 1.0% D1, 5 & 6	1 LS	1.37	179,200
SUBTOTAL DIVISIONS A THRU F		211.19	27,666,400
G.PROJECT CONTINGENCY - 5.0%		10.56	1,383,300
SUBTOTAL PROJECT COSTS JANUARY 1999		221.75	29,049,700
LABOR & MATERIAL ESCALATION (Start 4/2000, Midpoint 2/2001, Complete 12/2001) - 11.17% (NIC Predesign & Land Cost)		23.11	3,027,000
TOTAL PROJECT COSTS		244.86	32,076,700

Retirement Systems Facility
Construction Costs
1/26/98

	Gross Square Feet	131,000	
	Net Square Feet	98,173	
	Retirement Space	70,141	
	Lease Space	28,032	
Land Cost			
	Land Cost (Acquire 7 Acres)	$	1,800,000
	Environmental Allowance	$	250,000
	Land Cost	$	2,050,000
	Project Contingency 5%	$	102,500
	Total Land Cost	$	2,152,500
Design & Review			
	Predesign	$	150,000
	Architect/Engineer	$	1,954,100
	Project Contingency 5%	$	97,705
	Escalation	$	229,187
	Total Design & Review	$	2,280,992
Management & Inspection			
	Project Management & Inspection	$	1,252,600
	Project Contingency 5%	$	62,630
	Escalation	$	146,911
	Total Mgmt & Inspection	$	1,462,141
Construction Cost			
	Total Construction Cost	$	21,401,527
	Project Contingency 5%	$	1,070,076
	Escalation	$	2,510,078
	Total Construction Cost	$	24,981,681
Relocation Cost			
	Relocation Cost	$	1,027,500
	Project Contingency 5%	$	51,375
	Escalation	$	120,510
	Total Relocation Cost	$	1,199,385
Total Project Cost		$	32,076,700
Operating Costs			
	Major R & R - 1.33%	$	382,040
	Major R & R / NSF	$	3.89
	Tenant Alterations	$	49,087
	Tenant Alterations / NSF	$	0.50
	Utilities & Services	$	638,125
	Utilities & Services / NSF	$	6.50
Lease Revenue			
	Lease Revenue	$	560,640
	Lease Revenue / NSF	$	20.00