

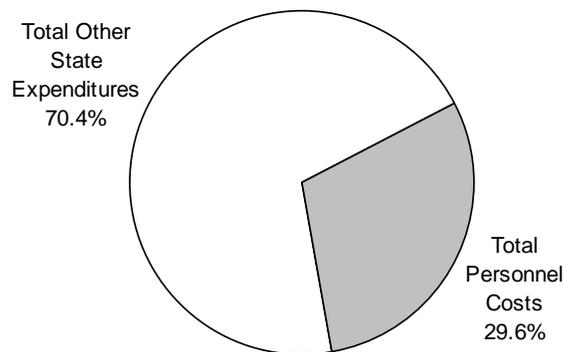


## STATE PERSONNEL ISSUES

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Personnel costs are the largest single expense in providing state services. Personal services consumed 29.6% of all state expenditures in FY'99, and accounted for about 75% of state agencies' operating costs.

Personnel Costs as a Percentage of  
Total State Expenditures  
FY'99



Total Personnel Costs = \$2,984,885,366

Total State Expenditures = \$10,078,912,063

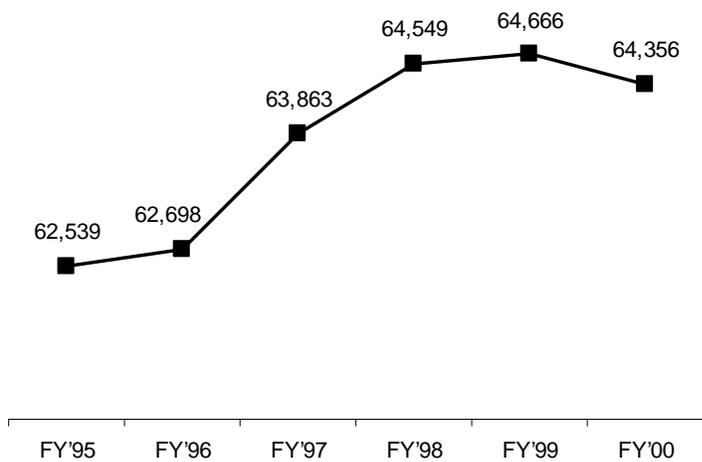
The Office of State Finance counts the following as personnel costs: salaries and wages; employer contributions to state retirement funds; employer FICA contributions; insurance costs (health, life and unemployment); longevity compensation; and professional services contracts.

### Total State Government Employment

State agencies paid a total of 64,356 full-time-equivalent employees in FY'00, according to Office of State Finance data (the number excludes 406 FTE employed by the Grand River Dam Authority). This total includes 27,222 FTE at state higher education institutions. While FTE levels at most state agencies are regulated by legislative limits, employment levels in the higher education system are set by governing boards.

FY'95 marked the lowest point in a decade in the number of state government employees. Since then, employment has grown at an average rate of 2.9% annually. Despite recent growth, total employment in FY'00 was 1.7% below the FY'92 level of 65,493.

Total Employment by State Agencies  
FY'95 through FY'00

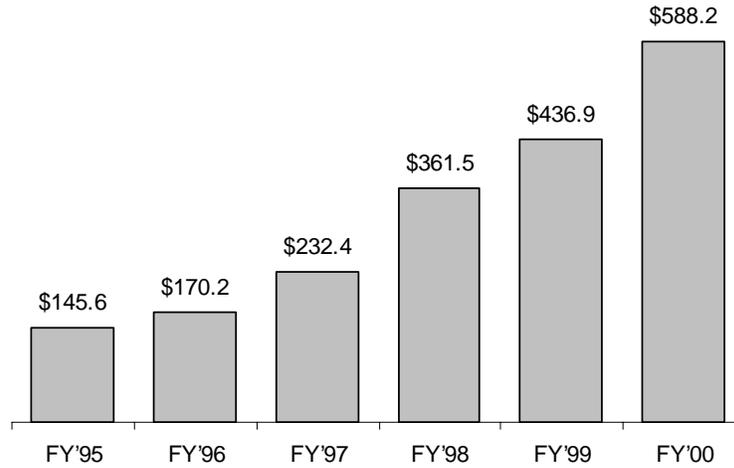


### Contracted Employees

The amount of professional services contracts more than tripled between FY'95 and FY'00, in part due to a state employee hiring freeze that has been invoked by governors since the early 1990s.

The value of these contracts in FY'00 increased by \$151.3 million or 35% from FY'99 to FY'00, according to Office of State Finance records. During the period, state FTE saw a gradual decrease of 0.5%.

Professional Services Contracts  
FY'95 through FY'00



**State Employee Salaries**

The average state employee earns \$29,385 per year (according to Office of Personnel Management data, which excludes higher education agencies). State employees' average salary has increased an average of 3.1% per year over the past ten years.

Average Oklahoma State Employee Salary  
FY'91 through FY'00

<u>Fiscal Year</u>	<u>Average Salary</u>	<u>Percent Change</u>
1991	\$22,356	4.5%
1992	\$23,184	3.7%
1993	\$23,568	1.7%
1994	\$24,408	3.6%
1995	\$25,524	4.6%
1996	\$26,448	3.6%
1997	\$26,599	0.6%
1998	\$27,384	3.0%
1999	\$28,647	4.6%
2000	\$29,385	2.6%

**PAY RAISE HISTORY**

Over an 11-year period beginning in FY'90, nine across-the-board pay raises (i.e., provided to all state employees) were approved by lawmakers.

FY'01 \$2,000 annual across-the-board raise provided for all state employees effective October 1, 2000 (SB 994).

FY'00 2% pay increase, with a minimum provision of \$600 and a maximum provision of \$1,000, for all state employees effective July 1, 1999 (SB 183).

FY'99 4% pay increase, with minimum provision of \$1,250 and a maximum provision of \$2,000, for all state employees effective January 1, 1999 (HB 2928).

FY'97 \$1,200 annual across-the-board raise for agency employees. Also, an allied health pay plan gave a 10% raise to about 900 health care workers (SB 846).

FY'95 \$800 annual across-the-board raise for agency employees beginning October 1, 1994 (SB 870).

FY'93 2.5% mandatory pay increase for all state employees effective December 1, 1992, and a discretionary 2.5% increase effective January 1993. Agencies paid costs of these raises within existing personnel budget; no new appropriations were provided. About half the state work force received the optional raise, which agencies granted based on their fiscal capacity (HB 1973).

FY'92 \$420/year per employee. Also enacted was an increase in the minimum state employee salary from \$11,700 to \$12,413 (the federal poverty level for a family of three) (HB 1681).

FY'91 \$1,000/year per employee (SB 877).

FY'90 \$400/year per employee (SB 58).

## **STATE EMPLOYEE BENEFITS PACKAGE**

The state employee benefits package consists of paid annual and sick leave; a defined benefit retirement plan and a deferred compensation retirement plan; and group health, life, and disability insurance.

Generally, employees pay the following costs of benefits:

- 3% of the first \$25,000 of salary and 3.5% on salary above \$25,000, paid to the Oklahoma Public Employees Retirement System (OPERS). However, contributions differ for employees in other retirement systems (see Retirement Benefits);
- 50% of monthly group health insurance premiums for dependents (employees have the option of buying dependent coverage);
- supplemental life insurance premiums (optional);
- deferred compensation not to exceed the lesser of \$8,000 per taxable year, or 25% of pre-deferral taxable gross income (optional); and
- federally mandated social security tax and Medicare tax.

State agencies, as employers, pay the remaining cost of providing employee benefits as follows:

- 10.0% of salaries paid to OPERS;
- a benefits allowance ranging from \$262.19 to \$412.54 in FY'01, depending on whether an employee chooses to buy coverage for dependents (see Group Health Insurance Benefits).
- \$25 per month matching employer contribution for employee participants of the state's deferred compensation program; and
- federally-mandated social security tax and Medicare tax.

## **RETIREMENT BENEFITS**

The state has seven state retirement plans. OPERS is the main retirement system, covering two of every three state employees. The normal retirement age for state employees is 62. Any employee retiring on or after this age is entitled to an annual benefit equal to 2% of the employee's

final average salary, multiplied by the number of years of credited service. For example, an employee retiring at the age of 62 with a final average salary of \$25,000 and 30 years of credited service would receive an annual retirement benefit of \$15,000 (2% x 30 years x \$25,000).

Statutes also allow state employees to retire under the "Rule of 80" or "Rule of 90," depending on the date the member joined the system. To qualify for retirement under this option, the sum of the employee's age and years of credited service must equal 80 or 90. Thus, a 55-year-old employee with 25 years of service may retire with full benefits under the "Rule of 80."

Another option for state employees is early retirement. To qualify, an employee must be at least 55 years old and have a minimum of 10 years of credited service. An employee who elects to retire early receives an adjustment of annual benefits in accordance with the following schedule:

#### Examples of Retirement Benefits at Various Ages

<u>Age</u>	<u>% of Normal Retirement Benefits</u>	<u>Age</u>	<u>% of Normal Retirement Benefits</u>
62	100.00%	58	73.33%
61	93.33%	57	66.67%
60	86.67%	56	63.33%
59	80.00%	55	60.00%

For example, an employee 55 years old with a final average salary of \$25,000 and 10 years of service would receive an annual retirement benefit of \$3,000 (2% x 10 years x \$25,000 x 60%).

A final benefit to retirees is a state contribution of \$105 per month credited toward group health insurance costs.

In addition to the OPERS, there are six additional state retirement systems with their unique rules and regulations: the Teachers' Retirement System of Oklahoma, the Uniform Retirement System for Justices and Judges, the Oklahoma Police Pension and Retirement System, the Oklahoma Law Enforcement Retirement System, the Oklahoma Firefighters Pension and Retirement System, and the Oklahoma Wildlife Conservation Retirement System.

## **GROUP HEALTH INSURANCE BENEFITS**

Employees are offered a benefit allowance to pay for mandated and optional coverages. Two options are offered depending on whether or not the employee is covering dependents. The first option is a benefit allowance of \$262.19 per month for employees who do not have a dependent or do not elect to enroll dependents in one of the state's health plans. The second option is for employees who elect to cover their dependents. Under this scenario, employees receive a benefit allowance equal to \$224.69 per month plus one-half of the cost of the employees' dependent care coverage, based on the Oklahoma State and Education Employees Group Insurance Board's rates. The benefits allowance is used to purchase the options the employees want. They must select a coverage option for themselves in the following areas: medical, dental, life and disability. If the total price of the options selected by the employees is less than the benefit allowance, they receive the difference as taxable income. If the cost of the options selected by the employees is more than the benefit allowance, the employees may elect to pay for the excess through pre-tax payroll deductions.

The state offers its employees a variety of health insurance packages: a standard indemnity plan (HealthChoice); health maintenance organizations (HMOs); or a statewide health provider network (preferred provider organization or PPO). The basic differences between the medical plans are: cost; choice of doctors and hospitals; how the employee and the plan share expenses through deductibles, co-payments, and coinsurance; and the maximum the employee has to pay out of pocket.