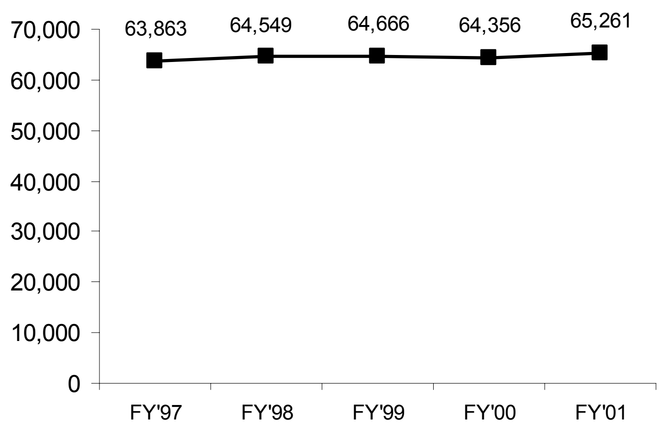
STATE PERSONNEL ISSUES

Total State Government Employment

State agencies paid a total of 65,261 full-time-equivalent employees in FY'01, according to Office of Personnel Management data (the number excludes 439 FTE employed by the Grand River Dam Authority). This total includes 27,583 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.

Despite significant increased revenue, FY'01 marked another year of flat employment. Since FY'97, total employment has grown at an average rate of 0.5% per year.

Total Employment by State Agencies
FY'97 Through FY'01



Source: Office of Personnel Management

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'01

Fiscal Year	Average Salary	Percent Change
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%
2001	$28,738	-2.2%

Source: Office of Personnel Management, 2001 Annual Compensation Report

PAY RAISE HISTORY

Over a 13-year period beginning in FY'90, nine across-the-board pay raises (i.e., provided to all state employees) were approved by lawmakers.

FY'02 No Pay Raise

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'98 No Pay Raise

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'96 No Pay Raise

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

FY'94 No Pay Raise

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 raised 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);

- 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 $319.51 to $735.15 in Plan Year (PY) 2003, depending on whether an employee chooses to buy coverage for dependents (see Group Health Insurance Benefits). The state funds 75% of the monthly group health insurance premiums for dependents;

- $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, an employee 55 years of age 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 of age 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

Age	Percent of Normal Retirement Benefits	Age	Percent of Normal Retirement Benefits
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 of age 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 OPERS, there are six state retirement systems with their own unique rules and regulations: the Oklahoma Teachers' Retirement System (OTRS), the Uniform Retirement System for Justices and Judges (URSJJ), the Oklahoma Police Pension and Retirement System (OPPRS), the Oklahoma Law Enforcement Retirement System (OLERS), the Oklahoma Firefighters Pension and Retirement System (OFPRS), and the Oklahoma Wildlife Conservation Retirement System.

GROUP HEALTH INSURANCE BENEFITS

Employees are offered a benefit allowance to pay for mandated and optional coverages as well as assist employees in the cost of covering dependents. The benefit allowance is based on the following formula:

Average monthly premium of all high option health plans

Plus

Average monthly premium of all high option dental plans

Plus

Basic life insurance monthly premium

Plus

Basic disability monthly premium

Equals

Employee Only Flexible Benefit Allowance

Dependents are covered at 75% of the average monthly premium of all high option health insurance plans. The benefits allowance is used to purchase the options the employees want. They must select a coverage 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 standard indemnity plan (HealthChoice) or health maintenance organizations (HMOs). 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.