

# Analysis of Oregon Public Employee Compensation



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# Agenda

**1. Components of Compensation**

**2. Cost of Employment Comparisons**

**3. Pension Payout Comparisons**

**4. Recommendations**



# Benefits Overview

- Employee Benefit Research Institute study
- Health Insurance is the most important benefit, and a key to retaining employees

Workers' Ranking of Employee Benefits, 2004		
	1st Most Important	2nd Most Important
Health Insurance	60%	15%
Retirement Savings Plan	17%	38%
Paid Time Off	5%	11%
Retiree Health Insurance	5%	9%
Pension Plan	4%	9%
Long-term Care Insurance	3%	6%
Life Insurance	3%	4%
Disability Insurance	1%	6%
Stock Options	0.5%	1%
Something Else	1%	1%



# HealthCare

- Healthcare costs increasing rapidly nationwide
- Oregon is the only state that does not require state employees to pay a portion of there healthcare premiums.
- Differences in total costs attributed to COLA and regional cost differences

States	Employer	Employee	Total Cost
Oregon	\$10,428	\$0	\$10,428
Washington	\$7,944	\$960	\$8,904
Idaho	\$7,128	\$1,020	\$8,148
California	\$10,644	\$2,388	\$13,032
Private (individual)	\$3,605	\$757	\$4,362
Private (family)	\$9,584	\$3,151	\$12,735



# Healthcare

## Private Sector

- Private sector healthcare benefits vary greatly, many companies offer no healthcare benefits, especially businesses in the service sector.
- 70% of regional employers offer healthcare, but only 20% pay the entire premium.
- 96% of firms with over 100 employees, and 61% with under 100 employees offer healthcare.
- Only 49% offer dental, 29% offer vision in the private sector.



# Retirement

- 2 primary forms of retirement: defined benefits (pension) and defined contribution (401k)
- 51% of Private sector firms offer retirement (48% 401k, 11% Pension)
- Public sector heavily reliant on Pension retirement plans
- Oregon – Hybrid (defined benefit and defined contribution)
- Systems funded through employee/employer contribution and investment returns

	General Service
	Retirement Formula
<b>Oregon</b>	
Tier 1	(1.67% of final average annual salary) x (years of creditable service)
Tier 2	(1.67% of final average annual salary) x (years of creditable service)
OPSRP	(1.50% of final average annual salary) x (years of creditable service)
<b>Washington</b>	(2.00% of final average annual salary) x (years of creditable service)
<b>Idaho</b>	(2.00% of final average annual salary) x (years of creditable service)



# Retirement

- Contribution rates expressed as a percentage of salary
- Aim is to infuse enough money into the system to ensure the promised benefit is there in the future
- Oregon rates considerably higher than neighboring states
- Washington and California rates expected to change in coming years

## Employer Costs

General Service		
Oregon	Employer Cost	UAL adjusted
Tier 1	23.40%	29.86%
Tier 2	24.03%	17.57%
OPSRP	14.04%	
<b>Washington</b>	2.44%	
<b>Idaho</b>	10.39%	
<b>California</b>	15.90%	

Police and Fire		
Oregon	Employer Cost	UAL adjusted
Tier 1	29.69%	36.15%
Tier 2	30.22%	23.76%
OPSRP	17.65%	
<b>Washington</b>	4.39%	
<b>Idaho</b>	10.73%	
<b>California</b>	23.60%	



# Retirement

- Oregon public employees make no contribution toward their pension plan
- Approximately 90% of employee contributions toward the 401K plan (6%) is paid by the state

## Employee Costs

General Service	
Oregon	Employee Cost
Tier 1	0.00%
Tier 2	0.00%
OPSRP	0.00%
Washington	2.25%
Idaho	6.23%
California	6.00%

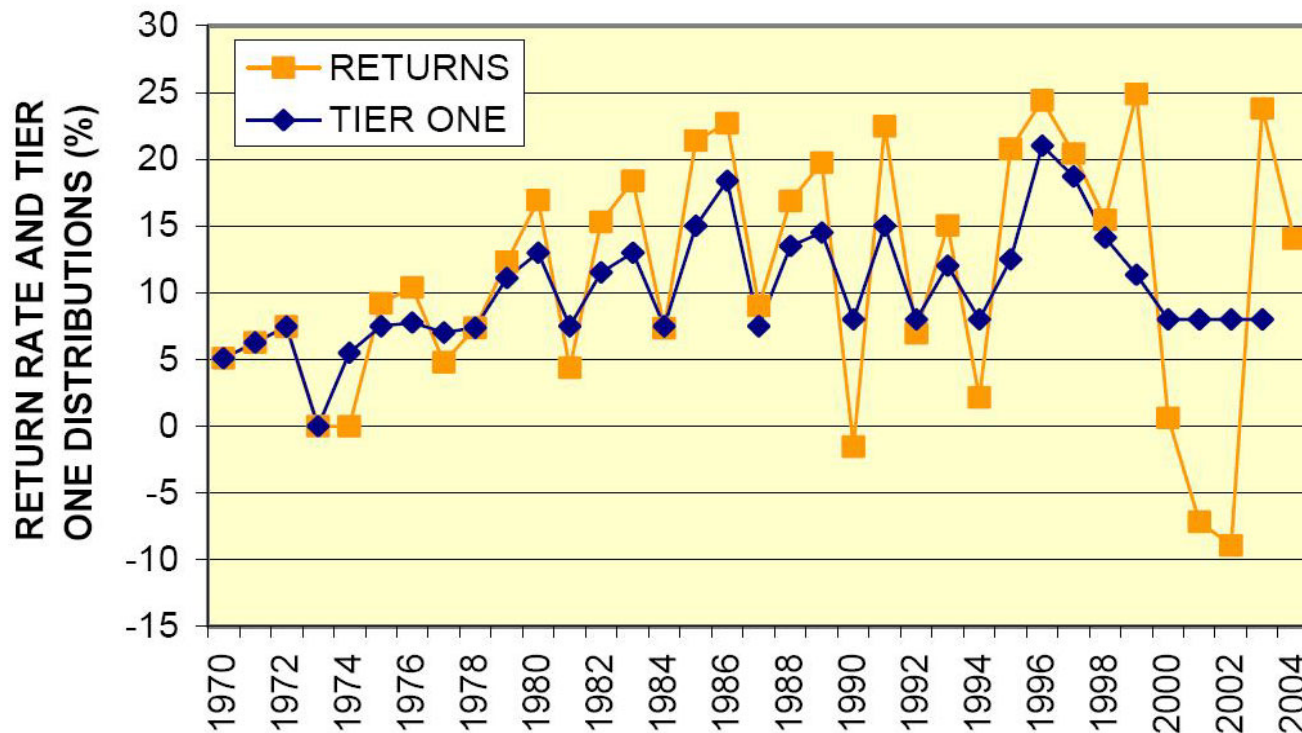
Police and Fire	
Oregon	Employee Cost
Tier 1	0.00%
Tier 2	0.00%
OPSRP	0.00%
Washington	6.99%
Idaho	7.65%
California	8.00%



# The PERS Problem

## Investment Returns

- 8% guarantee on Tier 1 individual accounts
- Money Match Formula





# Total Cost of Employment

## K – 12 Education

- Oregon is below the national average on spending per student
- Well below the national average for spending on teacher compensation per student (-\$457)
- Below the national average for spending on teacher salary per student (-\$668), slightly above average spending on benefits (+\$211)

Per Student Spending on Benefits and Salary					
Rank	Instructional	Salary	Benefits	Total	Benefits/Salary
4	Oregon	2,836	1,168	4,004	41.18%
16	Idaho	2,634	785	3,419	29.80%
31	California	3,319	904	4,223	27.24%
44	Washington	3,172	695	3,867	21.91%
	U.S. Average	3,504	957	4,461	27.31%



# Total Cost of Employment

## Class Size

- Oregon has the 4<sup>th</sup> highest student to teacher ratio in the United States
- Trending toward smaller class size
- Consistent with neighboring states

Class Size			
Rank	State	2004-2005	2003-2004
3	California	19.9	20.6
4	Oregon	19.8	20.2
6	Washington	19.3	19.3
8	Idaho	17.6	17.7



# Total Cost of Employment

## Education: K-12

Average Teacher Compensation				
Rank	States	Salary	Benefits	Total
4	California	\$57,876	\$15,764	\$73,640
11	Oregon	\$48,330	\$19,905	\$68,235
25	Washington	\$45,724	\$10,018	\$55,742
28	Idaho	\$42,122	\$12,553	\$54,675
	US Average	\$47,808	\$13,057	\$60,865

Teachers: K-12					
	Salary	Healthcare	Retirement	Total Comp.	UAL Adjusted
<b>Oregon</b>	\$48,330				
Tier 1		\$9,517	\$11,101	\$68,948	\$71,041.09
Tier 2		\$9,517	\$11,101	\$68,948	\$66,855.71
OPSRP		\$9,517	\$6,786	\$64,632	
<b>Washington</b>	\$45,724	\$7,944	\$1,335	\$55,003	
<b>Idaho</b>	\$42,122	\$7,125	\$4,376	\$53,624	
<b>California</b>	\$57,876	\$10,644	\$9,202	\$77,722	
<b>Private</b>	\$32,457	\$5,390	\$941	\$38,788	



# Total Cost of Employment

## Higher Education

- Salary well below Washington and California and \$14,125 a year below the national average.
- Benefit costs highest of the 15 states surveyed \$4,222 above the national average
- Total compensation is \$9,903 below the national average.

College Professors in Doctoral Institutions			
State	Salary	Benefits	Total Comp
California	\$108,994	\$12,843	\$121,837
Washington	\$88,253	\$16,310	\$104,563
Oregon	\$79,232	\$21,447	\$100,679
Idaho	\$68,407	\$16,437	\$84,844
US Average	\$93,357	\$17,225	\$110,582



# Total Cost of Employment

## Protective Services

- 11.5% of Oregon public employees
- No private sector equivalent
- Oregon wages consistent with Washington, above Idaho and below California

Correctional Officers and Jailers						
	Employees	Salary	Healthcare	Retirement	Total Comp	UAL Adjusted
<b>Oregon</b>	4,240	\$40,650				
Tier 1			\$10,428	\$12,069	\$63,147	\$65,773
Tier 2			\$10,428	\$12,284	\$63,362	\$60,736
OPSRP			\$10,428	\$7,175	\$58,253	
<b>Washington</b>	6,840	\$38,620	\$7,956	\$1,695	\$48,271	
<b>Idaho</b>	1,280	\$26,520	\$7,125	\$2,846	\$36,491	
<b>California</b>	34,320	\$53,590	\$10,644	\$12,647	\$76,881	



# Pension Payout Formulas

## Protective Services

- States vary in terms of retirement age before full benefits are available
- P&F multiplier variation
- Additional benefits available in each state to P&F members

	Police & Fire Retirement Formula
<b>Oregon</b>	
Tier 1	(2.00% of final average annual salary) x (years of creditable service)
Tier 2	(2.00% of final average annual salary) x (years of creditable service)
OPSRP	(1.80% of final average annual salary) x (years of creditable service)
<b>Washington</b>	(2.00% of final average annual salary) x (years of creditable service)
<b>Idaho</b>	(2.30% of final average annual salary) x (years of creditable service)



# Total Cost of Employment

## Judges

- Separate judicial retirement system in each state
- Private sector wages substantially higher
- Oregon wages consistent with Idaho, below California and Washington
- Variation in each state's FAS calculations

Highest Court		
Rank	State	Salaries
1	California	\$182,071
15	Washington	\$137,276
47	Oregon	\$105,200
49	Idaho	\$104,168
	Mean	\$130,328

Years of Service: Full Retirement Benefit	
State	Years
California	20.0
Washington	21.5
Oregon	23.5
Idaho	20.0



# Total Cost of Employment

## Judges

- 75% Maximum benefit payout in each state
- Oregon Plan A vs. Plan B, *pro tem* service

Maximum Post Retirement Benefits (2005)	
Highest Court	
State/Program	Salaries
Oregon PERS Plan A	\$68,380
Oregon PERS Plan B	\$78,900
California	\$136,533
Idaho*	\$78,126
Washington PERS II	\$102,957



# Total Cost of Employment

## Administration

- Salaries are generally on par with Washington & Idaho
- California consistently has higher salaries
- Oregon employees enjoy greater health and retirement benefits

Accountant					
	Salary	Healthcare	Retirement	Total Comp	UAL Adjusted
<b>Oregon</b>	\$41,265				
Tier 1		\$10,428	\$9,656	\$61,349	\$64,014.73
Tier 2		\$10,428	\$9,916	\$61,609	\$58,943.26
OPSRP		\$10,428	\$3,318	\$55,011	
<b>Washington</b>	\$39,126	\$7,956	\$880	\$47,962	
<b>Idaho</b>	\$37,169	\$7,125	\$3,862	\$48,156	
<b>California</b>					
<b>Private</b>	\$49,038	\$5,390	\$2,305	\$56,733	



# Total Cost of Employment

## Administration

- Compared to the private sector Oregon salaries are low.
- Private sector healthcare & retirement benefits are much lower than Oregon public sector benefits

Senior/Lead Accountant					
	Salary	Healthcare	Retirement	Total Comp	UAL Adjusted
<b>Oregon</b>	\$48,151				
Tier 1		\$10,428	\$11,267	\$69,846	\$72,956.89
Tier 2		\$10,428	\$11,571	\$70,150	\$67,039.13
OPSRP		\$10,428	\$3,871	\$62,450	
<b>Washington</b>	\$45,846	\$7,956	\$1,032	\$54,834	
<b>Idaho</b>	\$44,496	\$7,125	\$4,623	\$56,244	
<b>California</b>	\$53,044	\$10,644	\$8,434	\$72,122	
<b>Private</b>	\$55,523	\$5,390	\$2,610	\$63,523	



# Total Cost of Employment

## Construction

- 9% of total state payroll in 2005
- Oregon's construction workers total compensation significantly higher than Washington, and Idaho
- Salaries for Oregon Construction employees are similar to comparative states

Carpenter					
	Salary	Healthcare	Retirement	Total Comp	UAL Adjusted
<b>Oregon</b>	\$40,500				
Tier 1		\$10,428	\$9,408	\$60,336	\$63,021
Tier 2		\$10,428	\$9,623	\$60,551	\$58,044
OPSRP		\$10,428	\$7,148	\$58,076	
<b>Washington</b>	\$35,598	\$7,944	\$1,563	\$45,105	
<b>Idaho</b>	\$28,620	\$7,128	\$2,974	\$38,722	
<b>California</b>	\$43,014	\$10,644	\$7,054	\$60,712	
<b>Private</b>	\$44,665	\$5,390	\$2,144	\$52,199	



# Total Cost of Employment

## Construction

- Private plumbers and Construction Maintenance Supervisors make 10-15 thousand more in salary
- Healthcare benefits are much lower for private employees
- Oregon Public Construction workers are compensated at a higher relative rate than public employee's, and private as well

Construction and Maintenance Supervisor					
	Salary	Healthcare	Retirement	Total Comp	UAL Adjusted
<b>Oregon</b>	\$47,400				
Tier 1		\$10,428	\$11,011	\$68,839	\$71,982
Tier 2		\$10,428	\$11,262	\$69,090	\$66,156
OPSRP		\$10,428	\$8,366	\$66,194	
<b>Washington</b>	\$39,900	\$7,944	\$1,752	\$49,596	
<b>Idaho</b>	\$45,812	\$7,128	\$4,760	\$57,699	
<b>California</b>	\$64,938	\$10,644	\$10,650	\$86,232	
<b>Private</b>	\$55,390	\$5,390	\$2,659	\$63,439	



# Pension Payout Comparison

- Pension payouts substantially higher for Tier 1 employee relative to other Oregon tiers and neighboring states
- 95% of recently retired Oregon public employees use the Money Match formula
- The maximum pension for a OPSRP member is less than the minimum payout for a Tier 1 or Tier 2 member.

Richard Strunk (Teacher)	Pension Payouts	% FAS
<b>Final Ave Salary</b>	<b>\$47,600</b>	
<i>Tier 1 (Money Match)</i>	\$30,768	65%
<i>Tier 2</i>	\$20,668	43%
<i>OPSRP</i>	\$18,564	39%
<b>Washington</b>	\$24,752	52%
<b>Idaho</b>	\$24,752	52%
<b>California</b>	\$25,542	54%
<b>Private Sector Ave</b>	\$14,134	
<b>Public Sector Ave</b>	\$25,612	

William Smee (Kiosk Attendant)	Pension Payouts	% FAS
<b>Final Ave Salary</b>	<b>\$23,496</b>	
<i>Tier 1 (Money Match)</i>	\$60,924	259%
<i>Tier 2</i>	\$12,556	53%
<i>OPSRP</i>	\$11,278	48%
<b>Washington</b>	\$14,098	60%
<b>Idaho</b>	\$15,037	64%
<b>California</b>	\$18,332	78%
<b>Private Sector Ave</b>	\$14,134	
<b>Public Sector Ave</b>	\$25,612	



# How Oregon Compares

- As whole, Oregon public employees receive an average salary and phenomenal healthcare and retirement benefits.

## Above Average

- K-12 education
- Protective services

## Below Average

- Judges
- College Professors

## Trend

- Trend toward slower wage growth because of the high cost of PERS represents a long term danger to Oregon's ability to recruit and retain employees.



# Recommendations

## Reform begins with PERS

- End the practice of Employer pick up of the Employee Contribution, even if it means raising wages
- Increase the Employee Contribution rate to 8% for Tier 1 members
- Implement a cap on % of FAS
- Give new and existing members options
  - Opt out of the system in exchange for higher salary
  - Give employees the option of opting out of the defined benefit in exchange for a large contribution to the defined contribution