



MEMORANDUM

Date: March 27, 2014

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator *CHH*

Re: **Employee Benefit Costs**

The cost of employee benefits continues to rise each year, and paying employee benefits is a significant financial obligation of the County. These benefits range from required federal taxes; workers compensation; medical, life and dental insurance; unemployment insurance; and State retirement costs.

The Countywide cost of all benefits paid for employees is expected to increase from \$128.9 million in the Fiscal Year (FY) 2013/14 Adopted Budget to \$132.2 million in FY 2014/15, an increase of \$3.3 million. The table below shows the total cost of these benefits by employee benefit area.

Pima County Benefit Changes, FY 2013/14 Adopted to FY 2014/15 Required.

Benefit Description	FY 2013/14 Adopted Benefits	FY 2014/15 Required Benefits	Increase/ (Decrease)
Health Insurance Premiums	\$ 49,362,370	\$ 49,947,106	\$ 584,736
Arizona State Retirement	28,401,363	28,998,561	597,198
Social Security and Medicare	24,919,375	25,414,172	494,797
Public Safety Retirement	11,119,596	12,376,715	1,257,119
Workers Compensation	5,853,621	5,988,082	134,461
Corrections Officer Retirement	3,375,598	3,755,516	379,918
Correction Officer Retirement – Judicial Employees	2,237,206	2,251,406	14,200
Elected Official Retirement	1,793,789	1,642,465	(151,324)
Dental Insurance Premiums	765,655	797,806	32,151
Unemployment Insurance	557,138	470,755	(86,383)
Life Insurance	421,097	409,619	(11,478)
Arizona Public Safety Retirement – County Attorney	93,608	123,915	30,307
Employer Paid Benefit Fees	9,748	12,614	2,866
Totals	\$128,910,164	\$132,188,732	\$3,278,568

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The largest cost increase in benefits comes from retirement benefit changes. The cost of these benefits increased for the County by \$2.1 million, with the largest cost increase of \$1.3 million occurring in the Public Safety Retirement System.

The Arizona State Retirement System, in which most of our employees participate, only increased by \$597,000. This cost also increased to the 4,952 employees who participate in this plan. For the Public Safety Retirement, Correction Officer Retirement, judicial employees, and the retirement plan for County Attorney Investigators, the costs are borne almost exclusively by the County. These are significant increases, and very often should be viewed as compensation adjustments, particularly when the employee bears little, if any, of the additional cost.

Finally, for the Board's information, I have attached a document that shows the labor burden markup of aggregate benefits by employee class, ranging from as high as 71 percent of salary for County Attorney Criminal Investigators to 33.22 percent for most County employees. Law enforcement has a labor burden markup of 64 percent of salary; whereas Correctional Officers is 44 percent of salary significantly higher than the average County employee. These benefit burdens are significant for budget consideration and compensation purposes. Any compensation adjustment for law enforcement personnel costs twice as much as a regular County employee.

CHH/mjk

Attachment

c: Presiding Judge, Superior Court
Elected Officials
Appointing Authorities
Robert Johnson, Budget Manager, Finance and Risk Management

EMPLOYEE BENEFITS AS A PERCENT OF SALARIES

Benefit	BOS, Assessor, Treasurer & Recorder								County Atty Criminal Investigator
	Average County Employee	Recorder	Court Judges	Constables	Sheriff's Deputies & Sergeants	Corrections Officers			
Variable									
Workmen's Compensation	0.22%	0.22%	0.19%	3.86%	3.86%	3.86%			0.19%
FICA	6.20%	6.20%	0.00%	6.20%	6.20%	6.20%			6.20%
Retirement Rate	11.60%	23.50%	23.50%	23.50%	41.92%	17.76%			50.59%
Hospital	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%			1.45%
Unemployment	0.14%	0.00%	0.00%	0.00%	0.14%	0.14%			0.14%
Total Variable	19.61%	31.37%	25.14%	35.01%	53.57%	29.41%			58.57%
Fixed									
Dental	0.12%	0.07%	0.07%	0.09%	0.09%	0.13%			0.11%
Life Insurance	0.14%	0.08%	0.08%	0.11%	0.11%	0.15%			0.13%
Medical	13.36%	7.64%	8.07%	10.33%	10.68%	14.15%			12.31%
Total Benefits as a									
Percentage of Salary	33.22%	39.15%	33.36%	45.54%	64.45%	43.83%			71.11%
Number of Employees	4,952	8	61	10	478	779			6

Note 1: Medical and dental rates are consistent with rates used for vacant positions in PB.

Note 2: Average county employee's salary assumed to be 43,805 for 2,080 hours.

Note 3: Using 76,606 as the salary for BOS, Treasurer, Assessor, and Recorder.

Note 4: Using 72,509 as salary for Superior Court Judges.

Note 5: Using 54,803 as the average salary for a Deputy/Sergeant.

Note 6: Using 41,339 as the average salary for a Corrections Officer/Specialist/Sergeant.

Note 7: Using 47,531 as the average salary for a County Attorney Criminal Investigator.

Note 8: Using 56,609 as the average salary for a Constable.