

Understanding OPE

A practical overview of how OPE rates are calculated and what they cover

Presented by the Budget Office

What Is OPE?

- ▶ “OPE” stands for Other Payroll Expenses
- ▶ Represents employer-paid costs beyond salary
- ▶ Examples: health insurance, retirement contributions, taxes, etc.

Categories of OPE Costs

▶ Fixed Costs:

- ▶ • Early retirement actuarial account
- ▶ • Pension bond debt service
- ▶ • Misc. payables (403B, 457, HSAs, FSAs)

▶ Quasi-Fixed Costs:

- ▶ • Classified benefit stipend (part-time benefit)
- ▶ • Employee Assistance Program
- ▶ • Oregon Paid Leave (.4% employer + .6% college-covered employee share)
- ▶ • Health/Life/LTD Insurance (OEGB ~3.5% annual increase)
- ▶ • Tuition waivers, Unemployment, Workers' Comp

▶ Variable Costs:

- ▶ • FICA (Social Security & Medicare)
- ▶ • PERS (T1/T2, OPSRP, Employee Pickup 6%)

Key Cost Drivers

- ▶ • PERS bond payments (large fixed component)
- ▶ • Health insurance premiums (annual OEGB increase)
- ▶ • PERS contributions (currently limited due to bond payoff)
- ▶ • FICA contributions
- ▶ These represent the most significant portion of total OPE expense.

OPE Rate Groups

<u>Employee Type</u>	<u>Included in OPE</u>	<u>Excluded / Not Applicable</u>	<u>Relative Rate Level</u>	<u>Purpose / Rationale</u>
Full-Time	Health, dental, life & LTD insurance (OEGB) • PERS retirement & pension bond debt • Paid leave (vacation, sick, holidays) • Workers' comp, unemployment	—	65%	Reflects full benefit eligibility and fixed institutional costs
Part-Time	FICA/Medicare • Workers' comp • Unemployment • Oregon Paid Leave • Limited admin support costs	Health & retirement benefits, vacation/holiday leave	39%	Covers required employer costs for non-benefited positions
Student Workers	FICA (if not full-time enrolled) • Workers' comp (minimal)	PERS, health insurance, unemployment, Oregon Paid Leave, paid leave	10%	Minimal employer-paid obligations due to student exemptions

The OPE Calculation Process

- ▶ 1. Estimate Salary Base — includes all funds and approved positions
- ▶ 2. Project OPE Costs — input estimates for each cost category
- ▶ 3. Run the OPE Calculator — compare projected costs vs salary base
- ▶ 4. Apply Smoothed Rate — adjusts rate to avoid large year-to-year swings

OPE Rate Objective

- ▶ Goal: Collect as close as possible to expected costs
- ▶ Helps maintain budget accuracy and financial stability
- ▶ Simplifies front and backend calculations for departments, external entities, and for Banner
- ▶ Under or over collection = Rolls back to Ending Fund Balance in General Fund
- ▶ Used at almost all higher education institutions and is best practice

Takeaways

- ▶ OPE = Total of all employer-paid benefits and obligations
- ▶ Calculated annually using projected costs and salary base
- ▶ Smoothed to ensure rate stability
- ▶ Regular review ensures compliance and transparency (2-3x per year)

YOY Comparison

OPE Benefit Cost Categories	FY 2024	FY 2025
Classified Benefit Stipend	285,312.84	314,248.30
Early Retirement Incentive	307,619.63	-
Employee Assitance Program	-	9,906.22
FICA-Medicare	851,081.92	924,382.53
FICA-Social Sercurity	3,633,411.60	3,944,024.88
Staff Other Insurance benefits	12,704,458.01	13,250,407.82
Life Ins. FT	14,661.79	3,145.61
Miscellaneous Expenses	400,904.20	209,673.57
Oregon Paid Leave	292,965.51	359,514.04
Pension Bond Debt Svc	10,987,502.00	11,450,288.00
PERS	3,202,601.29	3,489,382.18
Tuition Waivers-FT	268,149.50	310,400.00
Tuition Waivers-PT	217,843.50	138,598.50
Unemployment Insurance	122,179.80	27,920.84
Worker's Compensation	77,277.08	130,362.92
Total	33,365,968.67	34,562,255.41

FY24 data is from Audit

FY25 data from Banner (unaudited)

FY26 Budget estimate = \$33.1M

PERS Bond Debt Schedule

Year	Series 2003 Principal	Series 2003 Interest	Series 2022 Principal	Series 2022 Interest	Total Payment
2024-2025	5,605,000	1,245,684	1,655,000	2,944,604	11,450,288
2025-2026	6,250,000	927,880	1,880,000	2,871,438	11,929,318
2026-2027	6,945,000	572,880	2,125,000	2,788,357	12,431,237
2027-2028	3,285,000	183,960	2,400,000	2,706,290	8,575,250
2028-2029			2,665,000	2,588,794	5,253,794
2029-2030			2,470,000	2,471,071	4,941,071
2030-2031			2,745,000	2,361,827	5,106,827
2031-2032			2,940,000	2,240,498	5,180,498
2032-2033			3,190,000	2,114,240	5,304,240
2033-2034			3,690,000	1,957,831	5,647,831
2034-2035			3,915,000	1,837,419	5,752,419
2035-2036			4,200,000	1,615,952	5,815,952
2036-2037			4,420,000	1,519,588	5,939,588
2037-2038			5,250,000	1,207,544	6,457,544
2038-2039			5,640,000	962,094	6,602,094
2039-2040			6,180,000	723,554	6,903,554
2040-2041			6,765,000	495,398	7,260,398
2041-2042			3,505,000	154,921	3,659,921
Total	22,085,000	2,930,404	66,620,600	33,368,127	125,004,131

PERS Rates

Summary of PERS Employer Contribution Rates

Rates shown reflect the effect of side account rate offsets and retiree healthcare contributions, and exclude contributions to the IAP and debt service for pension obligation bonds.

Employer Number	Employer Name	Net Employer Contribution Rate 7/1/23 - 6/30/25			Net Employer Contribution Rate 7/1/25 - 6/30/27		
		Tier One / Tier Two Payroll (reflects 2.40% member redirect offset)	OPSRP General Service Payroll (reflects 0.65% member redirect offset)	OPSRP Police and Fire Payroll	Tier One / Tier Two Payroll (reflects 2.40% member redirect offset)	OPSRP General Service Payroll (reflects 0.65% member redirect offset)	OPSRP Police and Fire Payroll
SLGRP (Default Tier One/Tier Two Rates)							
CC							
2901	Blue Mountain Community College	14.20%	11.01%	15.80%	12.35%	9.74%	15.01%
2999	Central Oregon Community College	20.73%	17.54%	22.33%	22.98%	20.37%	25.64%
2919	Chemeketa Community College	5.40%	2.21%	7.00%	7.79%	5.18%	10.45%
2908	Clackamas Community College	6.24%	3.05%	7.84%	11.94%	9.33%	14.60%
2900	Clatsop Community College	16.31%	13.12%	17.91%	18.99%	16.38%	21.65%
2996	Columbia Gorge Community College	17.96%	14.77%	19.56%	23.67%	21.06%	26.33%
2906	Klamath Community College	27.61%	24.42%	29.21%	27.92%	25.31%	30.58%
2904	Lane Community College	0.00%	0.00%	0.64%	2.26%	0.00%	4.92%
2910	Linn-Benton Community College	16.06%	12.87%	17.66%	18.34%	15.73%	21.00%
2905	Mt Hood Community College	0.60%	0.00%	2.20%	6.44%	3.83%	9.10%
2995	Oregon Coast Community College	20.00%	16.81%	21.60%	23.43%	20.82%	26.09%
2918	Portland Community College	4.63%	1.44%	6.23%	9.67%	7.06%	12.33%
2922	Rogue Community College	3.31%	0.12%	4.91%	8.37%	5.76%	11.03%

Estimated

	2020	2021	2022	2023	2024	2025	2026	2027	2028
592300 - PERS	6,928,529	7,130,452	7,213,204	3,220,139	3,202,601	3,489,382	3,559,170	6,887,234	8,609,042

- Rates will quickly rise as investment sunsets
- Could be 16-20%

What's Next?

- ▶ New Valuation for PERS obligation in November/December
- ▶ Re-run of OPE calculations in January
 - ▶ Including any new impacts on health insurance
- ▶ Presentation to Board of Ed in February/March by Piper Sandler on PERS obligations

Questions?