

# **Proposed spending cuts**

## **As cleared by the Governor to pursue**

### **Early Retirement Program: \$15- to \$35 Million (estimated) cut in annual spending**

The Department of Administration estimates about 500 full-time government of Guam employees in the line agencies (not including the Department of Education, Guam Memorial Hospital, or other semi-autonomous and autonomous agencies) are within five years of retirement eligibility. The final tally of cuts in spending will be known upon the completion of the proposed early retirement program, described below. These are the points of the plan:

1. The legislature should pass this authorization so the program can begin October 1, 2012.
2. Employees who wish to apply for this program may do so beginning October 1, 2012. Qualified employees will have until September 30, 2013 to retire under the guidelines of the program.
3. Only actively employed members of the Defined Benefit Plan who would reach their full service requirement should they opt to participate in the program are eligible.
4. Employees may apply to their respective agency head to participate in the program to purchase up to five years of retirement credit. Agency heads will have approval authority based on operational needs.
5. Employees who are approved to participate in the program will have to pay, in full at the time of retirement, the remaining contributions that would have been paid to the GGRF should they have remained employed. However, employees may have up to five (5) years to pay for those contributions through execution of a promissory note with the GGRF. The term of any such promissory note shall not exceed five (5) years at an interest rate determined by the GGRF.
6. Any employee who retires and purchases additional years of service credit is entitled to the full application of such additional years of service immediately upon their retirement, regardless of when a promissory note is finalized between the Retirement Fund and the retiree. Should the Retirement Fund be unable to have a promissory note effectuated simultaneously to the separation of the employee from government service or their retirement from the government of Guam, the Retirement Fund shall retroactively apply the annuity based on the additional years of service.
7. The government of Guam will continue contributing the employer share of contributions to the Retirement Fund through the period the retiring employee would have remained an employee had he or she continued in the active employment until the retirement threshold.

8. The member retiring will suffer no penalty or diminishing of the amount of annuity to be received on account of the age of the member retiring upon the date of retiring.
9. No retiring employee under this program will be rehired by the government of Guam in any position, whether contractual or otherwise, for at least three years from the effective date of retirement. The exception will be for those exemptions specifically listed, and those determined by the Governor to be critical to the delivery of services. The Retirement Fund will make all individuals who voluntarily apply for early retirement credit aware that their purchase of such credit will be construed as voluntary waiver of their right to re-employment or reinstatement for a period of at least three years.

**Amortization of Unfunded Liability by 10 Years to 2041:** \$28.1 million cut in annual spending (government-wide)

The government of Guam currently is on track to pay down the Unfunded Liability of the Government of Guam Retirement Fund for Defined Benefit members by 2031. The effect of bad investments by the Fund has resulted in that liability growing over the past few years, thus proportionately increasing the rate of contribution to the Fund, now nearly one third of payroll. We recommend extending the amortization period by 10 years to a pay down by 2041. This will have the effect of reducing the rate of contribution by 6.1 percentage points, translating into \$28.1 million in annual spending cuts.

**Reduction in Holiday Pay:** \$4,478,367 cut in annual spending

The legislature currently mandates that employees working on designated government of Guam holidays receive 200 percent, or double, their hourly wage for hours worked. This is above industry standard, which is 150 percent, or time-and-a-half, the hourly wage for hours worked. We recommend aligning the GovGuam holiday pay mandate to industry standard at time-and-a-half.

**Elimination of GFD Non-productive Pay + Reduction of GFD Overtime to Six Hours (3-platoon system):** \$1,624,038 + \$1,390,725 cut in annual spending

The legislature currently provides beyond all Fair Labor Standards Act 207(k) exemption provisions in granting a 106-hour per pay period requirement at the Guam Fire

Department. The adjustment of this provision to industry standard, along with the fair computation of leave hours is recommended.

**Elimination of GFD Incentive Pay:** \$454,211 cut in annual spending

The legislature currently authorizes EMT A Duty Pay at 15 percent differential for those who are certified EMT-A and assigned to the ambulance unit. We recommend elimination of this differential pay.

**Elimination of Annual Leave Cash Out:** \$1,597,106 cut in annual spending

The legislature currently authorizes employees to accrue annual leave hours and cash out up to 320 hours times the last hourly wage upon separation from the government of Guam. The depletion of cash is especially harsh on the Treasury at the end of every legislative and gubernatorial term, when the bulk of unclassified employees elect to cash out their accrued leave. We recommend elimination of this cash out provision, except for retiring employees.

**Reduction of Paternity Leave to Industry Standard:** \$135,283 cut in annual spending

The legislature currently authorizes government of Guam male employees who become fathers to take 20 work days of paid paternity leave for as many times in the year the individual becomes a father. Industry standard is only 10 days. We recommend reduction to industry standard.

**Cap on Leave Sharing to 480 Hours per Occasion, Limit to Medical Reasons:** Unknown amount at this time

The current leave sharing program authorized by the legislature has caused massive disruptions in operations due to the ability of employees to share leave for a number of reasons. We recommend reversion of this policy to its original intent: to provide humanitarian relief to those who need medical attention.