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Voluntary Deferred Payment and Early Retirement Plan Provides Alternative to Furloughs



FOR IMMEDIATE RELEASE:

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OKLAHOMA CITY (December 3, 2009) – A plan allowing state employees to voluntarily defer their pay rather than take unpaid furlough days as well as initiating and expanding early retirement buyouts would save the state significant funds during these tough economic times, state Rep. Randy Terrill said today.



“We are in a bad economic environment and it is clear that the size of state government is going to shrink as a result,” said state Rep. Randy Terrill, a Moore Republican who chairs the appropriations and budget subcommittee on public safety and the judiciary. “For the next couple of years, we are very likely to be on an downward trajectory. The purpose of the voluntary deferred payment and early retirement plan therefore is not to avoid the inevitable, but simply to provide tools for better management and planning of the process as it occurs.”

Under the deferred payment plan, state employees could voluntarily choose to work instead of taking an unpaid furlough day in return for receiving some form of compensation at a later date.

“The deferred payment plan would help ensure continuity of services and many workers would obviously prefer it to a furlough, which is essentially a pay cut,” Terrill said. “The plan also gives state agencies greater flexibility as they manage the economic downturn and the associated budget and staffing reductions that are now occurring.”

The deferred compensation could come in several forms, Terrill said, including providing workers with some type of additional leave accumulation (exempted from current caps on annual leave) or perhaps even some form of enhanced retirement benefits.

Terrill said the deferred payment plan could be crucial to maintaining core state services in a cost-effective way, “particularly agencies that are 24-7-365 operations like prisons, the highway patrol, veterans centers and mental health facilities.”

For example, although the Department of Corrections could furlough an officer, the agency would then have to find another employee who would be paid time-and-a-half to staff that very same position. Terrill said the deferred compensation plan would provide a more reasonable alternative to that somewhat bizarre scenario.

Terrill said the deferred payment concept has not been tried in Oklahoma, but has been implemented in a few other states. Workers could still choose to take a furlough day instead of deferred compensation under the plan.

Terrill also called for immediately initiating and expanding early retirement buyouts in state government, providing incentives for all workers within two to three years of full retirement to voluntarily accept a buyout offer.

Currently, early buyouts typically target workers within one year of retirement. The Department of Corrections was recently able to vacate 119 positions through an early retirement offer.

“One agency was able to reduce 119 positions by simply buying out those within months of full retirement,” Terrill said. “Imagine what would happen if we expanded that across all of state government and included every employee within two to three years of retirement. You would achieve a significant savings while also doing right by those workers.”

The buyout would include payment of a worker’s next longevity check, allowing workers to cash out all unused annual leave, payment of 18 months of the employee’s health coverage, and an early retirement incentive that could take several different forms.

Excluding teachers and higher education employees, there are more than 35,000 state employees each earning an average of approximately \$35,000 annually plus benefits.

Based on extrapolations from the Department of Corrections retirement buyout, Terrill noted a statewide program could vacate as many as 1,500 government positions.

"An aggressive early retirement program could generate an almost immediate 4-percent decrease in the state government workforce and save \$52.5 million annually plus another \$15 million in benefits," Terrill noted. "And, \$67.5 million on an annual basis is certainly not an insignificant sum."

If teachers and higher education employees (who earn more than \$40,000 per year on average) were ultimately included in the buyout plan, the savings could triple to more than \$200 million per year, Terrill noted.

"The scope of the economic downturn is going to last more than one fiscal year, so it makes sense to expand retirement buyouts to those who would likely leave during that time frame," Terrill said. "The early retirement plan would involve some upfront expense, but it provides a huge back-end savings as we go into the next fiscal year and beyond."

The Oklahoma Public Employees Association this morning endorsed the deferred payment plan and the use of statewide VOBO's as a method to help ease the state's budget crisis and reduce the needs for furloughs or large-scale employee reductions, said OPEA Executive Director Sterling Zearley.

"The morale of the state workforce is being decimated by the current furloughs and RIF's," Zearley said. "This will not fix the current budget situation but it will certainly help ease some of the anxiety as well as give agency leaders more flexibility as we move into the next few fiscal years."