

Staff Summary Report

Council Meeting Date: 03/26/09

Agenda Item Number: 49

SUBJECT: Request approval of a resolution authorizing the implementation of the 2009 Employee Voluntary Separation Incentive Program as attached requiring participating employees to retire or resign from City employment no later than June 30, 2010.

DOCUMENT NAME: 20090326hrjoc01 **HUMAN RESOURCES (PERSONNEL) (0300)**
RESOLUTION NO. 2009.17

COMMENTS: N/A

PREPARED BY: Jon O'Connor, Deputy Human Resources Manager (350-8423)

REVIEWED BY: Charlie Meyer, City Manager (350-8884)
Renie Broderick, Human Resources Manager (350-8407)

LEGAL REVIEW BY: David Park, Assistant City Attorney (350-8907)

FISCAL NOTE: Approximately \$4.0 million one-time budgetary impact for incentive and accrued leave payments. Additional payments to ASRS for retiring employees will also be required under ARS 38-749. Payments will occur in both the 2008/2009 and 2009/2010 fiscal years.

RECOMMENDATION: Recommend adoption of Resolution No. 2009.17

ADDITIONAL INFO: This resolution follows direction from the Council at the March 24, 2009 Special Budget Review Session and authorizes implementation of the Plan reviewed and approved by Council.

RESOLUTION NO. 2009.17

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TEMPE, ARIZONA, AUTHORIZING THE 2009 EMPLOYEE VOLUNTARY SEPARATION INCENTIVE PROGRAM TO BE EFFECTIVE MARCH 26, 2009

WHEREAS, the Tempe City Council has the authority to create incentive programs offered to City of Tempe employees to retire or resign no later than June 30, 2010, and

WHEREAS, it is in the best interest of the City to create an incentive program for benefit of avoiding layoffs and balancing the budget to alleviate the current economic situation;

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND CITY COUNCIL OF THE CITY OF TEMPE, ARIZONA, as follows:

The 2009 Employee Voluntary Separation Incentive Program is authorized as indicated in the attached Exhibit A.

PASSED AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF TEMPE, ARIZONA, this _____ day of _____, 2009.

Mayor

ATTEST:

City Clerk

APPROVED AS TO FORM:

City Attorney

2009 Voluntary Separation Incentive Program

What is the Voluntary Separation Incentive Program?

The voluntary separation incentive program is open to all regular (benefitted) full time and part time employees and provides an incentive payment (in addition to the usual payout of accrued leave provided for under current City personnel rules) for those employees retiring or resigning from employment no later than June 30, 2010.

The intent of the program is to assist in downsizing the City workforce and to provide placement opportunities for employees whose positions are targeted for elimination which is an integral part of an overall budget reduction strategy.

While employees may choose any separation date between the time the program is approved by City Council and June 30, 2010, the program will be open for application thru **May 1, 2009** and only employees who apply thru that date will be eligible for the incentive. This is a one time program and will not be available after that date.

What is the Incentive?

Employees approved for the program will receive the following monetary incentive:

1. The higher of: One percent (1%) of current base pay* per year of verifiable City of Tempe service, (part-time service will be pro-rated), **OR** 3 months (520 hours) of pay at base pay;
2. 100% of accrued medical (sick) leave (*regardless of years of service***);

The **total incentive payment** is capped at a maximum of **\$50,000**, and shall not be exceeded under any circumstances.

(NOTE: Usual accrued vacation leave payout of 100% and the first 50% payout of accrued sick leave do NOT fall under the cap.)

(*Base pay is base hourly rate annualized - including skill blocks for those Water Utility Department employees under the skill based pay program - but excluding any other components of pay or additional pay such as temporary detail, max staffing, bi-lingual pay, etc.)

(**Under current City personnel rules, only employees with at least 10 years of service are eligible for payouts of up to 50% of accrued medical leave depending on whether they are retiring or resigning.)

Who qualifies for an incentive package?

- **The program is open to all full time and part time regular (benefitted) employees.** Public Safety employees in the PSPRS DROP program, or who elect to sign up for the DROP program during the time the incentive program is in place, are not eligible to apply. NOTE: PSPRS regulations do not allow DROP participants to rescind their participation in that program.

- Employees wishing to be considered for a voluntary separation incentive package must submit an application that includes an intended retirement or resignation date to Human Resources **no later than 5:00PM, Friday May 1, 2009**
- Employees may apply to retire or resign on any date after the program is approved as long as it is **no later than June 30, 2010.**
- Employees seeking to retire under the program must meet **ASRS** retirement eligibility which is defined as:
 - Early retirement (reduced benefit):
At least age 50 with 5 or more years of credited service
 - Normal retirement:
Age 62 with 10 or more years of credited service
Age 65
Any combination of years of credited service and age totaling 80 points or **PSPRS** retirement eligibility of 20 years of credited service.
- Employees who have already retired from City service but have been rehired will only be permitted to count post-retirement service time for purposes of calculating the incentive payout.

Is anything else included or allowed?

- Employees will receive 100% payout of accrued vacation leave as is current policy and 100% payout of any accrued compensatory time as required by law. These payouts, and the initial 50% payout of medical leave are NOT included in the incentive cap of \$50,000.
- Employees approved for the program will not be required to repay the City any monies reimbursed to them through the Tuition Reimbursement Program in the 12 months prior to their retirement or resignation.
- Employees approved for the program will not have to repay the City 2 weeks of vacation if they have utilized sabbatical leave prior to their retirement or resignation date as long as that is no later than 6/30/2010. Sabbatical leave cannot be utilized to run out time. Employees must be eligible under current rules to utilize sabbatical leave.
- Employees approved for retirement through the program and who are eligible under ASRS or PSPRS to have vacation run out qualify towards credited service shall be permitted to run out any vacation or converted medical leave as long as their retirement date is no later than 6/30/2010.
- Retiring employees will receive a retirement bonus check and plaque as is current policy.
- *Employees retiring under the program by June 30, 2009 will be considered part of OPEB Group 1 for the purposes of retiree health benefits. (City Council directed on March 24th that the cap for City paid premium increases for Group 1 retirees will be raised from the proposed 4% to **6%**).*
- *Those retiring after June 30, 2009 will be considered part of OPEB Group 2.*
- *Employees who have less than 10 years of service as of June 30, 2009 and who resign or retire after that date and after completing 10 years of service, will be considered part of OPEB Group 3. Employees resigning on or before 6/30/2010 with less than 10 years of service are not eligible for any future retiree health benefits.*
- All other benefits will be handled in accordance with current City policy.

What happens after the application is submitted?

Human Resources will contact employees within two (2) weeks of their application being submitted and reviewed to schedule a meeting. A Memorandum of Understanding including details of the incentive payout and other payouts (e.g. vacation) will be provided to the employee for their review at that meeting. Employees will then have 7 days to confirm their retirement/resignation date and accept the voluntary separation incentive in writing by signing the MOU, or withdraw their request. Once the employee accepts and signs the MOU, the decision to retire/resign is irrevocable. Employees who elect to participate in this incentive program will forfeit their eligibility to participate in the EPO program.

How will the Incentive be paid?

- **Run out of time:** Only employees retiring who have the option under ASRS or PSPRS rules to run out vacation leave as credited service will be permitted to do so – and only accrued vacation and up to 50% of accrued medical leave may be used for run out. Employees running out time from their last day of work through to their actual retirement date will not be eligible for additional leave accruals or any type or holiday pay during the run out period. The incentive payment and any remaining leave balances will be paid in a lump sum included in the employee's last paycheck.
- Employees not eligible for the run out option must work through their specified retirement/resignation date and will receive a lump sum payout of their incentive payment and any other leave balances.
- Employees who are resigning may leave earlier than their initially submitted resignation date, if necessary, with their incentive payment adjusted for the change in resignation date.
- Employees may elect to contribute payout amounts to their 401K and/or 457 deferred compensation plans only to the maximum allowed employee contribution for the calendar year of their retirement/resignation.

Re-employment with the City of Tempe

Those retiring or resigning through the program will not fall under the lay-off policy and so will not be placed on any lay-off list. Employees who accept an incentive payout for retirement or resignation will not be eligible to be rehired by the City into any regular or temporary position or as a contract worker for three (3) years from the date of their separation, unless under extraordinary circumstances as approved by the City Manager. NOTE: All separations under this program will be considered voluntary and as such will not be eligible for unemployment benefits.

Is Further Information Available?

Employees should contact Human Resources for further information regarding the program. General information sessions will not be held.

Contact Numbers:

City of Tempe, Human Resources	(480) 350-8278
Arizona State Retirement System	(602) 240-2000
Public Safety Retirement System	(602) 255-5575
City of Tempe, Payroll	(480) 350-8264
Great West	(480) 921-2885