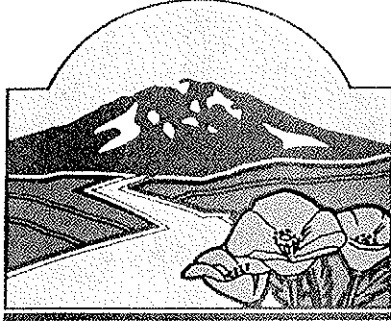


CITY OF
ANDERSON



AGENDA ITEM

May 18, 2010 City Council Meeting

| |
|-----------------------------------|
| Approved for Submittal By: |
| Dana Shigley City Manager |
| To Be Presented By: |
| Dana Shigley City Manager |

To: Honorable Mayor and Members of the Anderson City Council

Through: Dana Shigley, City Manager
Telephone 378-6646

Date: May 18, 2010

SUBJECT

Implementation of a Voluntary Retirement Incentive Program

RECOMMENDATION

The City Manager recommends that the City Council:

Adopt a resolution creating a voluntary retirement incentive program.

FISCAL IMPACT

This program may provide up to \$15,000 to eligible employees as compensation for their accrued sick leave upon retirement. This cost, which will not exceed \$45,000 total, will be applied to several funds depending on which employees elect to participate, if any. This program is being implemented in order to reduce salary expenses and avoid layoffs. Should layoffs become necessary, City costs to provide state and federally required unemployment benefits would exceed the costs of this voluntary retirement incentive program.

DISCUSSION and BACKGROUND

The City Council is well aware of the financial strain facing the City's general, gas tax, and other funds and has directed staff to seek ways to reduce costs and avoid layoffs, if possible. As per Council direction, I am recommending implementation of a voluntary retirement incentive program, as described in the attached resolution. Currently, three employees are eligible to retire under this program. Should any of these employees choose to retire, the City will save between \$100,000 and \$150,000 per employee. Under this program, employees would be allowed to cash out some of their accrued sick leave balances. The funds would be rolled into a Health Retirement Account, up to a maximum of \$15,000, only to pay future medical insurance premiums. The Health Retirement Account will be managed by ICMA RC, similar to the City's 457 savings program.

ATTACHMENT

Proposed Resolution

RESOLUTION NO. 10-

**A RESOLUTION OF THE CITY COUNCIL
ADOPTING A VOLUNTARY RETIREMENT INCENTIVE PROGRAM**

WHEREAS, the City of Anderson faces financial challenges as a result of the struggling local, state and national economy; and

WHEREAS, the City Council desires to reduce expenses through voluntary retirement of employees wherever possible; and

WHEREAS, the City Council wishes to implement a program to encourage qualified employees who may already be considering retirement in an effort to avoid involuntary reductions in staff.

NOW, THEREFORE BE IT RESOLVED, that the City Council of the City of Anderson hereby adopts a Voluntary Retirement Incentive Program as described on attachment A.

PASSED AND ADOPTED by the City Council of the City of Anderson this 18th day of May, 2010, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Norma Comnick, Mayor

ATTEST:

Juanita Barnett, City Clerk

Attachment A

VOLUNTARY RETIREMENT INCENTIVE PROGRAM

May 10, 2010

1. **Purpose**

The City is facing significant budget shortfalls. Given the current economic climate, all City departments are facing diminished ongoing resources. Economic conditions have undergone a series of changes that are unlikely to be reversed within the foreseeable future. In the midst of these realities, the City is implementing a Voluntary Retirement Incentive Program. The VRIP presents an opportunity for the City to offer lump-sum, post retirement benefits to selected classifications as an incentive for employees to retire. By providing a retirement incentive, the City can strategically plan its future resources, realize financial savings, and avoid involuntary layoffs and unemployment benefit costs.

2. **VRIP Employee Eligibility & Participation**

Eligibility to participate in the VRIP shall be determined in accordance with the following conditions:

- a. Employees must be a member of the Management/Confidential group.
- b. Employees must have completed at least ten years of service with the City of Anderson as of their retirement date.
- c. Employees must have reached full retirement age (55 for miscellaneous, 50 for safety) as of their retirement date.
- d. The retirement date (last day in pay status with the City including use of all leaves) must be effective on or before December 31, 2010.
- e. To participate in the VRIP, eligible employees must sign the commitment letter (attached) identifying the effective date of their retirement. The commitment letter must be submitted to the City Manager by 5PM, Friday, June 4, 2010.
- f. Employees who accept a VRIP incentive will not be eligible to receive unemployment benefits based upon the employees' written acknowledgement that their decision to retire from City employment is entirely voluntary.
- g. The City Manager must authorize participation in the program.

3. **Incentive Payment Provisions**

An eligible employee participating in the VRIP shall receive the incentive payment equal to their base hourly rate times the number of hours of sick leave they have accrued as of their retirement date, with a maximum of \$15,000. The incentive payment shall be paid in the form of a City contribution into an HRA account on a pre-tax basis for the employee. The HRA is a tax deferred account to be used for the payment of medical insurance premiums after the employee retires, and the deposit to this account will not be deemed income for the purposes of determining retirement compensation. The HRA will be established with the ICMA Retirement Corporation and administered by the employee after retirement.

Date: _____

To: Dana Shigley, City Manager

From: _____

Subject: Voluntary Retirement Incentive Program

Consistent with the terms of the Voluntary Retirement Incentive Program dated May 10, 2010, with this letter I am advising you that I plan to take advantage of the voluntary program with a retirement date of _____.

I understand that and agree with the terms of the VRIP and I understand that this commitment cannot be revoked.

[Employee]

Participation in the VRIP is approved

City Manager