



CITY COUNCIL AGENDA ITEM

REQUESTED COUNCIL MEETING DATE 7/17/07

SUBJECT: Early Retirement Option for City Employees

DEPARTMENT: Administration

RECOMMENDED MOTION:

To approve the offering of an Early Retirement Option to City Employees

SUMMARY:

See attached memo

ATTACHMENTS: Ordinance Resolution Budget Resolution

Other Support Documents/Contracts Available for Review in Manager's Office

DEPARTMENT HEAD	Signed	Date
FINANCE DEPARTMENT	Approved as to Budget Requirements	Date
CITY ATTORNEY	Approved as to Form and Legality	Date
CITY MANAGER <i>[Signature]</i>	Approved Agenda Item For:	7/17/07

COUNCIL ACTION: Approved as Recommended Disapproved Tabled Indefinitely
 Continued to Date Certain Approved with Modification:



MEMORANDUM

To: Mayor Allen Green
Vice Mayor Mary Martin
Councilman Dennis Kennedy
Councilman Robert Pohlmann
Councilman George Steindoerfer

From: Kenneth W. Parker, City Manager

Subject: Approval of Early Retirement Option

Date: July 12, 2007

As I have indicated to the Council, it is important for us to not only think about this year's budget but also look long term. That means looking at the organizational structure and how we deliver services to our residents. I suggested a few months ago that we embark on a strategy that would potentially allow us to accomplish an organizational alignment change by September 30, 2008.

The first phase of the program was to freeze the hiring of existing positions. The second phase of the strategy was a complete review of existing programs. I am now proposing a third phase, an early retirement option for City employees. Not all employees will qualify for this option. In order to qualify, an employee must be:

- Age 55 or older; or
- A combination of age and years of service when added together would equal 80 or more.

The early retirement package would have two components—a cash component and an insurance component.

The cash component would be limited to a maximum payment of \$10,000. It would be computed as follows:

- 1% times years of service times current annual base salary (no incentives) with a maximum payment of \$10,000

Formula: Employee A is age 56 and has worked for the City for 10 years and earns \$50,000 annually. The employee would be eligible to receive 10 percent of \$50,000 or \$5,000

Employee B with 20 years of service earning the same amount would receive \$10,000.

This payment would be made on the first period after the employee retires from the City of Port Orange.

The second component is an insurance component. I am proposing that the option provide an annual payment of \$5,000 in 5 equal payments of \$5,000 each over 5 years. The employee could use the payments to acquire insurance from the City. The employee could take the money in cash, less all taxes. The employee could authorize the City to pay the funds into the employee's 457 account. The first payment would be made on the first pay period after the employee retires. The other payments would occur on the first pay period in October.

In order to make the program an orderly transition, I am proposing the City allow employees to retire on the following dates:

September 30, 2007
December 31, 2007
March 31, 2008
June 30, 2008
September 30, 2008

However, the employee must execute an irrevocable agreement with the City of Port Orange no later than September 15, 2007.

The following will be the schedule for implementation of this option:

- Letter sent to all eligible employees on July 24, 2007
- On August 13 and 14, the City will host meetings for all employees who want more information. We will have representatives from Florida Health Care, the various City Pension Plans, ICMA-RC, and a financial advisor. The financial advisor will be available to provide free financial counseling. We will advise all employees that the financial counseling that is being provided is general in nature. For more detailed advice, the employee should seek the advice of their own financial consultant.
- Forms must be returned to the Human Resource Department no later than September 15. Forms not returned by that date will be deemed to have rejected the offer.

Will some employees who had already planned to retire take advantage of this option? Yes. But, in crafting the plan, it had to be general enough to meet the identified age criteria.

Are there employees eligible for normal retirement excluded from the offer? The answer is yes. Two of our pension plans have a 20 and out provision. A large number of individuals in these plans may meet the criteria to retire but do not meet the age requirement established for this program; however, there are a few who meet either the age requirement or the age plus years of service criteria.

This is the base plan I am suggesting. We continue to work with our attorney to make sure the criteria meets the requirements of the law.

Should you have questions, please call me.

Kwp/rlg