



Staff Report

Agenda Item: **EARLY RETIREMENT INCENTIVE PROGRAM**– Discussion and consideration of an early retirement incentive program for Town of Clarkdale employees.

Staff Contact: Janet Perry, Assistant Town Manager /Human Resources Director

Meeting Date: March 10, 2009

Background: At this time, due to the serious and adverse economic conditions affecting the Town, and with the projection of a \$600,000 budget deficit for FY 2010, the Town Manager is seeking the Town Council's approval to establish a Voluntary Early Retirement Incentive Program (VERIP) which would be offered through June 30, 2009. While VERIP's do not work in all circumstances, when organizations are faced with the need to reduce staff, VERIP's can be successfully used on their own, or in combination with other programs (like the furlough program we are currently operating under) to achieve necessary reductions. Voluntary programs are advantageous because employees who voluntarily leave employment are less likely to raise future claims against the Town. In fact, in the case of our proposed VERIP, the program is structured to require a release of claims that will protect the Town from litigation. This VERIP is a cooperative way for the Town to achieve its goals of reducing expenses while supporting employees who desire to move into retirement.

The proposed VERIP would establish additional monetary benefits for staff members who pursue retirement by providing a greater level of payout on Illness Bank (IB) hours than would be normally paid upon resignation, termination or retirement. Given that this incentive is offered as a compliment to an employee's retirement, participation in this program is contingent on the employee pursuing retirement through a bona fide retirement plan (ie: ASRS, PSPRS, Social Security). Participation in this program would be voluntary for any employee who is interested and has at least one year of service with the Town. The program is not contingent on the employee's age.

In order to limit the Town's total financial exposure under this program, funding is proposed to be available on a limited basis, with the total funding for any individual participant capped at \$10,000, and the total payout for all participants capped at \$35,000. Any approved VERIP payout will be subject to all provisions related to resignation as outlined in the Town's Personnel Policy and Procedure Manual, and will be paid in addition to all other eligible benefits. This VERIP does not alter the rights of any individual to pursue their retirement options at any other time.

Section 4.1 B of the Town of Clarkdale Personnel Policies and Procedure Manual states that a maximum of 560 hours of IB hours may be cashed out upon the voluntary resignation of an employee who has worked for the Town of Clarkdale 5 years or longer. Payouts under this provision are:

Employees with 5-10 years of service	\$1.00 per hour up to 560 hours
Employees with 10-15 years of service	\$2.00 per hour up to 560 hours
Employees with 15+ years of service	\$3.00 per hour up to 560 hours

Under the VERIP being offered, employees would be eligible for a higher payout rate than is outlined in Section 4.1B. The payouts would be based on the employee's hourly rate of pay (which was in effect on December 31, 2008) up to a maximum of 560 hours. The first 280 hours of IB time would be paid at 100% of the rate of pay, and the second 280 hours would be paid at 50% of the rate of pay. Examples of the VERIP formula follow:

Scenario A. – “Employee A” had an hourly rate of pay of \$15 as of December 31, 2008 and has 490 hours of accumulated IB hours. The formula would be applied as follows:

Number of Hours	Multiplied by Hourly Rate of Pay	Multiplied by Percentage Eligible	Total Payout
280	\$15	100%	\$4,200
210	\$15	50%	\$1,575
490			\$5,775

Under the Town's standards IB payout provision, this employee would have been paid the following amounts for their accumulated IB hours:

Years of Service	Accumulated Hours	Rate Per Hour	Total Payout
5	490	\$1	\$490
10	490	\$2	\$980
15	490	\$3	\$1,470

Scenario B. – “Employee B” had an hourly rate of pay of \$15 as of December 31, 2008 and has 250 hours of accumulated IB hours. The formula would be applied as follows:

Number of Hours	Multiplied by Hourly Rate of Pay	Multiplied by Percentage Eligible	Total Payout
250	\$15	100%	\$3,750
0	\$15	50%	\$ 0
250			\$3,750

Under the Town's standards IB payout provision, this employee would have been paid the following amounts for their accumulated IB hours:

Years of Service	Accumulated Hours	Rate Per Hour	Total Payout
5	250	\$1	\$250
10	250	\$2	\$500
15	250	\$3	\$750

A copy of the proposed policy is attached for your information. This proposed policy has been reviewed and approved by Don Zvala, an attorney with Boyle, Pecharich, Cline, Whittington and Stallings who specializes in employment law. Mr. Zvala will be working with Assistant Town Manager/Human Resources Director Janet Perry to finalize the required Application and Agreement upon Council approval of the policy.

Recommendation: Staff recommends that the Town Council approve the Voluntary Early Retirement Incentive Program as presented.



Town of Clarkdale, Arizona
Voluntary Early Retirement Incentive Program

Purpose - Due to the adverse economic conditions currently affecting the Town of Clarkdale, a Voluntary Early Retirement Incentive Program (VERIP) is being offered through May 1, 2009 (subject to the limitations herein) in order to reduce costs to the Town.

Eligibility – This program is open to employees of the Town of Clarkdale who: (1) have at least one year of service with the Town, and (2) who are eligible for and pursue retirement through a bona fide retirement plan (i.e.: Arizona State Retirement System (ASRS), Public Services Personnel Retirement System (PSPRS), Social Security) and (3) who have not received a written notice of possible termination (not related to a reduction in force) between January 1, 2009 and May 1, 2009.

Participation – Participation in this program is completely voluntary. The Town is not pressuring you or any employee to terminate employment with the Town. All employees have full discretion in deciding whether to apply for or participate in this program.

Benefits – The Town of Clarkdale will provide additional monetary benefits for staff members who are considering retirement by providing a greater level of payout on Illness Bank (IB) hours than would be normally paid upon resignation or retirement. Currently, Section 4.1 B of the Town of Clarkdale Personnel Policies and Procedure Manual states that a maximum of 560 hours of IB hours may be cashed out upon the voluntary resignation of an employee who has worked for the Town of 5 years or longer. Payouts under this provision include:

Employees with 5-10 years of service	\$1.00 per hour up to 560 hours
Employees with 10-15 years of service	\$2.00 per hour up to 560 hours
Employees with 15+ years of service	\$3.00 per hour up to 560 hours

Under the VERIP, employees will be eligible for a higher payout rate than is outlined in Section 4.1B. The payouts would be based on the employee’s hourly rate of pay (which was in effect on December 31, 2008) up to a maximum of 560 hours. The first 280 hours of IB time would be paid at 100% of the rate of pay, and the second 280 hours would be paid at 50% of the rate of pay. Examples of the VERIP formula follow:

Scenario A. – “Employee A” had an hourly rate of pay of \$15 as of December 31, 2008 and has 490 hours of accumulated IB hours. The formula would be applied as follows:

Number of Hours	Multiplied by Hourly Rate of Pay	Multiplied by Percentage Eligible	Total Payout
280	\$15	100%	\$4,200
210	\$15	50%	\$1,575
490			\$5,775

Scenario B. – “Employee B” had an hourly rate of pay of \$15 as of December 31, 2008 and has 250 hours of accumulated IB hours. The formula would be applied as follows:

Number of Hours	Multiplied by Hourly Rate of Pay	Multiplied by Percentage Eligible	Total Payout
250	\$15	100%	\$3,750
0	\$15	50%	\$ 0
250			\$3,750

Limitations – Funding for this program is available on a limited basis. Total payouts for any individual employee shall not exceed \$10,000. Total payouts for all employees who wish to participate in this program are limited to a maximum of \$35,000. Applications will be considered on a non-discriminatory, first-come first-serve basis based on the date and time a fully completed and signed Application and Agreement is returned to the Human Resources office. Once the \$35,000 maximum has been reached, no further applications will be granted.

Resignations. Participants approved under this program shall resign their positions with the Town by June 30, 2009. At the discretion of the Town Manager, employees who cannot meet the June 30th deadline due to the requirements of their retirement option may be considered for up to a 3-month extension. Any approved VERIP payout also will be subject to all provisions related to resignation as outlined in the Town’s Personnel Policy and Procedure Manual, and will be paid in addition to all other eligible benefits.

Income Tax Consequences: Early Retirement Incentive pay has been determined to be taxable income for state and federal income tax purposes and will be treated as such. It will be reported as a taxable retirement payment. Any required state or federal withholdings will be subtracted from each payment to the retiree.

Coordination with Retirement Programs – It is the employee’s responsibility to coordinate with their appropriate retirement plan (ASRS, PSPRP, Social Security) to determine what, if any, impacts this VERIP will have on their retirement benefits and to arrange for participation in their respective retirement plan.

Application and Agreement – To be considered for the program, employees must complete an Application and Agreement which is available from the Human Resources Office. The deadline for submitting the Application and Agreement is on or by May 1, 2009. The Application and Agreement may be withdrawn by the employee at any time before issuance and acceptance of the incentive payment. Failure to submit the Application and Agreement within the time frame specified herein shall result in the rejection of the employee in the VERIP.

Questions – Employees who are interested in learning more about the VERIP should contact Assistant Town Manager/Human Resources Director Janet Perry at 639-2412 or by e-mail at Janet.Perry@clarkdale.az.gov

This VERIP does not alter the rights of any individual to pursue their retirement options at any time. The Town of Clarkdale is an equal opportunity employer. We adhere to a policy of making employment decisions without regard to race, color, religion, age, gender, national origin or ancestry, marital status, sexual orientation, disability, or veteran status.