

Memo

To: Mayor and City Council
 From: Kurt Ulrich, City Administrator
 Date: February 9, 2012
 Re: Consideration of a Voluntary Early Separation Program

Due to budget concerns, the city of Ramsey may wish to establish a voluntary early separation program in order to reduce salary expenses and to meet business needs in tough economic times. Staff analyzed several program design options and has determined the following program to be the most cost-effective. If approved, the program would be strictly voluntary and open only to those City employees who meet the requirements listed below:

- Must be a regular employee of the City with a minimum of 10 years of regular service
AND:
 - Who is at least age 55 years and eligible for a full or reduced PERA Coordinated Plan annuity; or
 - Who is at least age 50 years and eligible for a full or reduced PERA Police and Fire Plan annuity; or
 - Meet the above age requirement for your PERA plan and are receiving PERA disability benefits.

If a voluntary early separation program were to be established, based on the City’s 2012 personnel budget, the following table demonstrates possible estimated savings by participation levels:

2012 Annual Budget

Costs \$1,264,832

for 15 eligible employees

	<u>Annual Budget</u>	<u>Pay-out</u>	**Annual Savings <u>1st year.</u>	**Annual Savings <u>Sub. Years</u>
100% Participation	\$1,264,832	\$306,254	\$958,578	\$1,264,832
75% Participation	\$948,624	\$229,691	\$718,933	\$948,624
50% Participation	\$632,416	\$153,127	\$479,289	\$632,416
25% Participation	\$316,208	\$76,564	\$239,644	\$316,208
10% Participation	\$126,483	\$30,625	\$95,858	\$126,483

Scenario is based on a minimum of 10 years of service and PERA eligibility at the full or reduced rate and subject to union agreements.

Costs for eligible employees not currently on the City health plan have been calculated at the \$290 monthly benefit which is paid by the City to employees hired prior to 2001 for waiving health insurance.

****Assumes no rehire or contracted service expenses**

The numbers listed on page 1 of this memo were derived from the guidelines listed below, as proposed by the League of Minnesota Cities, as well as Anoka County; subject to City Council authorization.

- **10 to 19 years of service at time of termination** (includes cumulative total for non-consecutive service and/or pro-rated part-time service)
 - The City will provide the terminating employee, a payout of \$10,000. For each additional full year of service above 10 years, an employee will receive an additional \$500 for each year of service, to a total maximum of \$22,500 (35 years of service) and,
 - The cash equivalent of nine (9) months of the city's contribution towards the employee's selected health premium in effect at the time the incentive program is adopted.

20+ years of service at time of termination (includes cumulative total for non-consecutive service and/or part-time service)

- The City will provide the terminating employee, a payout of \$10,000. For each additional full year of service above 10 years, an employee will receive an additional \$500 for each year of service, to a total maximum of \$22,500 (35 years of service) and,
- The cash equivalent of nine (9) months of the city's contribution towards the employee's selected health premium in effect at the time the incentive program is adopted.

If authorized, all employees approved for this program would continue to receive the normal separation benefits available through current labor agreements or the non-represented vacation and sick leave program.

Note: If too many employees were to choose to retire from one department and it created a hardship for the department to operate, employees may be required to stagger their retirement date as determined by their department.