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MAR 12 2009



Chandler + Arizona  
Where Values Make The Difference

## MEMORANDUM

**DATE:** March 12, 2009

**TO:** Mayor and Council

**THRU:** W. Mark Pentz, City Manager  
Richard Dlugas, Assistant City Manager RD

**FROM:** Debra Stapleton, Director, Human Resources Division  
Dennis Strachota, Management Services Director DS

**SUBJECT:** Retirement Incentive Package

**RECOMMENDATION:** Adopt Resolution 4268 to approve the retirement incentive package and authorize use of General Fund or other fund contingencies to pay for retirement incentive program costs.

**BACKGROUND:** Based upon revenue projections and our forecast for the upcoming year, we are predicting a sizeable General Fund budget deficit in FY 09/10. City staff and management have been evaluating a broad range of budget balancing initiatives to address current and future budget deficits. The retirement incentive program is an important element of the City's overall plan to prevent future budget deficits.

**DISCUSSION:** The goal of this program is to provide an attractive incentive for employees to retire from City of Chandler employment. The financial goals of this program are to create cost savings that will enable the City to realize base budget reductions during the next and ensuing fiscal years. Timely implementation of this program will allow a majority of the one-time costs for the program to be realized in FY 08/09.

The proposal includes the following:

- All regular employees that are eligible to retire from the Arizona State Retirement System (ASRS) or the Public Safety Personnel Retirement System (PSPRS) are eligible to apply.
- The process is voluntary and selective, with the initial application period beginning March 16, 2009 and ending April 6, 2009.

- An employee who is approved for this program and accepts the retirement incentive package will be considered to have retired from the City and is eligible to receive all regular City retirement benefits at the time of retirement.
- All applications will be reviewed by the appropriate Department Director to assess the needs of the department and the ability to maintain services to our citizens and internal customers should the employee separate from the City.
- Factors to be considered in the approval of an application will be the cost savings to be realized by the City and minimizing disruption to the City's ability to deliver services. The City Manager will make the final decision on all applications.
- Employees will be required to sign a Separation Agreement confirming that their participation in the program is fully voluntary and waiving all claims against the City in order to receive the incentive package.
- Employees who are approved under this program will receive 20 weeks of separation pay and may continue their medical, dental and vision insurances for up to 12 months' at the employee contribution rate.
- Employees who are approved under this program will be required to retire from the City no later than December 31, 2009.
- If a position is vacated through this program the position will be eliminated before the end of fiscal year 2009-10 to realize ongoing cost savings.

Upon City Council approval, eligible employees will receive a packet of information outlining the specifics of the program. The City has arranged for ASRS to make presentations to employees that may need to evaluate other retirement options versus the retirement incentive package and will be making arrangements with PSPRS as well. Group and/or individual meetings will be held as needed to ensure employees receive all the information they need to make informed decisions.

### **FISCAL IMPACT:**

While there will be costs associated with this program, there will be long-term, permanent budget reductions for positions that are eliminated, held vacant or filled at a lower salary level regardless of how many applications are accepted.

It is hard to project how many employees will apply for this program. City staff anticipates that approximately 30 applications will be approved through this process. Under such circumstances, the one-time retirement incentive cost including normal retirement benefit costs would be estimated at \$4,351,500 for the current fiscal year. However, an estimated \$2,637,000 in salaries/benefits would be eliminated from our budget if those positions or ones of equal cost are eliminated.

It also should be noted that the City will incur a cost from the ASRS when the retirement-eligible employee participates in this retirement incentive program and retires from ASRS. ASRS assesses a fee that is based on variables such as age, service, whether the employee has contributed to ASRS prior to 1984, and the actuarial impact of the incentive program on the retirement system. This is anticipated to be a one-time assessment of \$3,000 to \$60,000 per employee and occurs when the employee retires from ASRS. The anticipated ASRS costs are reflected in the separation incentive cost estimates above.

A similar circumstance exists for the Public Safety Personnel Retirement System (PSPRS) as well. However, rather than a fee, the increased number of retirees in the system may cause a future increase in the City's retirement contribution rate, as determined annually by an actuary.

**PROPOSED MOTION:**

Adopt Resolution 4268 to approve the retirement incentive package and authorize use of General Fund or other appropriate fund contingencies to pay for retirement incentive program costs.

**RESOLUTION 4268**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CHANDLER, AUTHORIZING THE CREATION AND IMPLEMENTATION OF A RETIREMENT INCENTIVE PROGRAM.**

**BE IT RESOLVED** by the City Council of the City of Chandler, Arizona, as follows:

**WHEREAS**, the City Manager has determined that the current economic conditions have resulted in significant budgetary constraints; and

**WHEREAS**, the City Manager proposes to implement a retirement incentive program in order to eliminate positions in the City's workforce and realize cost savings; and

**WHEREAS**, the City Manager proposes, as part of the retirement incentive program, that the City will offer certain employees a severance payout of 20 weeks of base pay and continued coverage of medical, dental and vision benefits at the employee's contribution rate for up to 12 months; now, therefore, be it

**RESOLVED** by the City Council of the City of Chandler, Arizona as follows:

Section 1. That the City Council authorizes the City Manager to establish a retirement incentive program that includes a financial incentive of 20 weeks of base pay and up to 12 months coverage of medical, dental and vision benefits at the employee's contribution rate.

Section 2. That the City Council authorizes the City Manager to establish all plans and procedures necessary and appropriate to implement the retirement incentive program.

Section 3. That the City Council authorizes the use of General Fund contingency or another fund's contingency as appropriate to finance the retirement incentive program.

**PASSED AND ADOPTED** by the City Council of the City of Chandler, Arizona this \_\_\_\_\_ day of \_\_\_\_\_, 2009.

\_\_\_\_\_  
Mayor

ATTEST:

\_\_\_\_\_  
City Clerk

CERTIFICATION

I HEREBY CERTIFY that the above and foregoing Resolution No. 4268 was duly passed and adopted by the City Council of the City of Chandler, Arizona, at a regular meeting held on the \_\_\_\_\_ day of \_\_\_\_\_, 2009, and that a quorum was present thereat.

\_\_\_\_\_  
City Clerk

Approved as to form:

*mw*  
\_\_\_\_\_  
City Attorney