



REQUEST FOR COMMISSION ACTION
CITY OF INDEPENDENCE
June 30, 2020

Department Administration

Director Approval Kelly Passauer

AGENDA ITEM Consider authorizing funding for a retirement program.

SUMMARY RECOMMENDATION Approve the funding.

BACKGROUND The City's policy for retirement includes the following benefits which have not been updated since the late 1970's:

- Employees receive 100% of accumulated vacation leave (the maximum amount of accumulated vacation is 240 hours).
- Employees receive 25% of accumulated sick leave up to a maximum of \$2,000 (the maximum amount of accumulated sick leave is 1440 hours).
- Employees may stay on the City's health insurance in addition to portable optional insurance coverages; i.e. dental, vision, life, etc. at their cost.

City staff proposes to update the retirement program for employees who retire under KPERS as follows:

- Employees receive 100% of accumulated vacation leave (maximum accumulated vacation leave remains at 240 hours).
- Employees receive 25% of accumulated sick leave with no maximum (maximum accumulated sick leave remains at 1440 hours).
- Employees that provide a minimum of three months (six months preferred) written notice of retirement under KPERS will be eligible for:
 - One year of credit consisting of 110% of the cost of a single Option A health insurance plan with single dental for every ten years of continuous service from the last hire date.
 - The benefit would be calculated by the total number of months worked divided by ten, therefore if someone worked 15 years (180 months) they would be eligible for 1 ½ years (18 months) of credit.
 - The credit may be applied to a single plan, family plan, or other portable optional insurance coverages; i.e. dental, vision, life, etc. If the plan(s) selected exceed the credit allowed, any additional costs will be the responsibility of the retiree. If the plan(s) selected do not utilize the full credit, then any remaining credit is forfeited.
 - Once the credit expires, the retiree may stay on the City's health insurance in addition to portable optional insurance coverages; i.e. dental, vision, life, etc. at their cost.

- If extenuating circumstances occur the City Manager may waive the three month notice requirement.
- Employees that do not provide a minimum of three months written notice of retirement under KPERS and did not receive a waiver for an extenuating circumstance from the City Manager may stay on the City's health insurance in addition to portable optional insurance coverages; i.e. dental, vision, life, etc. at their cost.

The proposed plan was modeled off a retirement incentive plan the City of Independence previously offered to KPERS retirement eligible employees in 2011. The previous plan also offered six months of family coverage for every ten years of service in lieu of one year of single coverage for every ten years of service which resulted in some employees receiving a significant benefit over others. To be equitable to all future retirees a 110% credit for a Single Option A Health Insurance Premium including Single Dental is recommended for one year for every ten years of service.

BUDGET IMPACT The budget impact is dependent upon the number of employees that retire under KPERS each year and the amount of accumulated leave and continuous years of service. Currently, there are eight employees eligible for KPERS retirement. After an anticipated surge after the program is implemented it is anticipated to level off at approximately two retirees per year. This is based on the average number of retirees over the past few years has been two per year, and the average number of employees who will become eligible for retirement over the next six years is two per year. In addition to the opportunity this program would provide to reevaluate efficiencies as it relates to staffing levels, a portion of the program cost could be offset by potential savings if positions replaced start at a lower wage.

SUGGESTED MOTION I move to authorize funding for a retirement program.

SUPPORTING DOCUMENTS Program Overview

City of Independence Proposed Retirement Policy

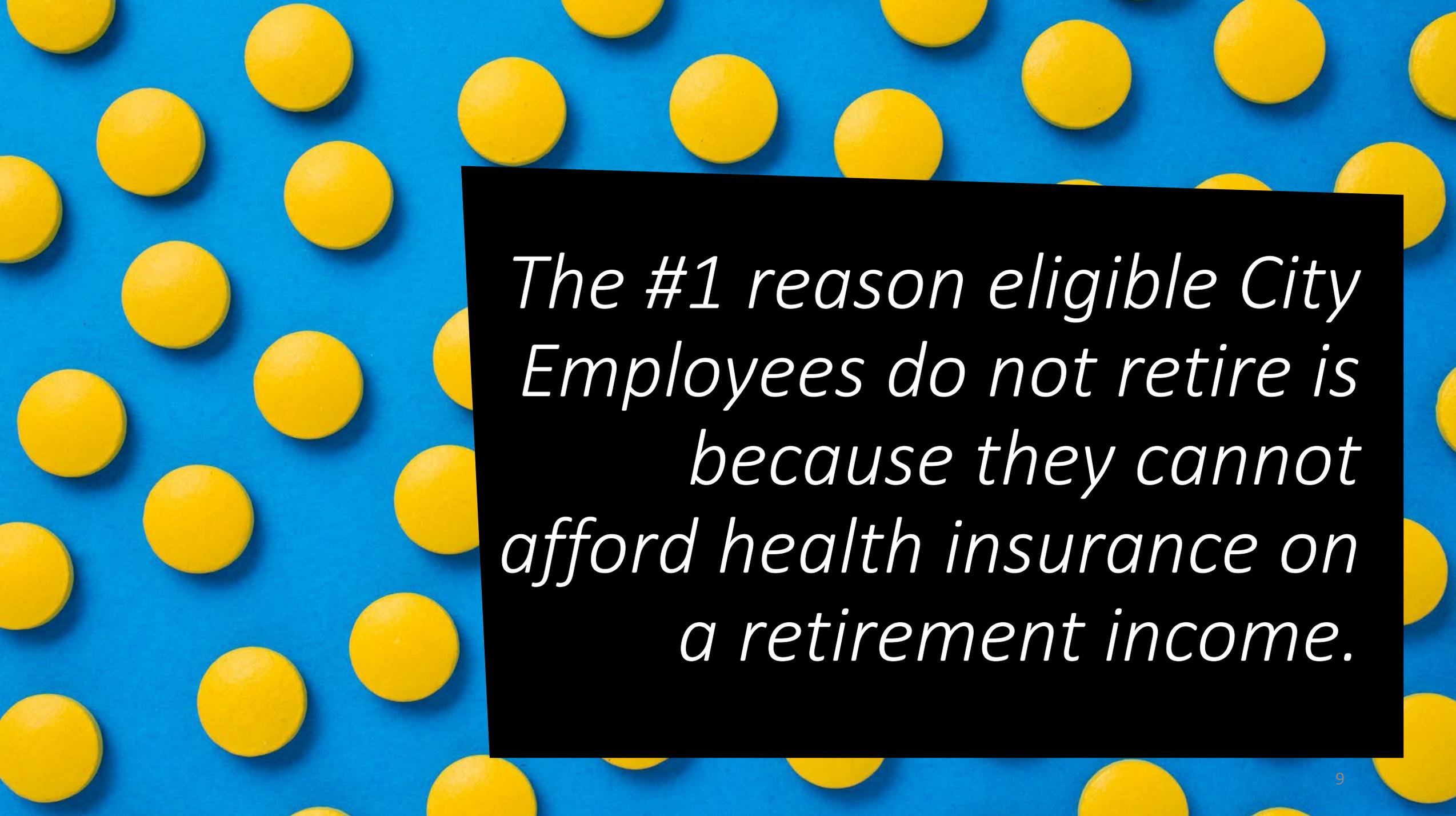


***Our greatest asset is
our employees!***



Retire with Us!



The background of the slide features a pattern of numerous bright yellow, round pills scattered across a vibrant blue surface. The pills are slightly out of focus, creating a sense of depth. A black rectangular box is positioned in the center-right of the image, containing white text.

The #1 reason eligible City Employees do not retire is because they cannot afford health insurance on a retirement income.

Program Guidelines

- Must be eligible to retire under KPERS (includes KPERS early retirement options).
- To qualify for the health insurance credit, the employee must notify the City in writing a minimum of three (3) months, six (6) months preferred, prior to their retirement date. The three (3) month requirement may be waived by the City Manager for extenuating circumstances.
- Years of service must be completed at the City of Independence, Kansas and uninterrupted (from last hire date).
- If the employee passes away after retirement, the monthly Health Insurance Credit ends.
- Sick Leave Pay Out
 - 25% maximum pay out of sick leave would be modified from a maximum of \$2,000 to no maximum. This has not been modified since the late 1970's.
- Retirement Benefit details:
 - Health Insurance Credit -- One year of credit consisting of 110% of the cost of a single Option A health insurance plan with single dental for every ten years of continuous service from the last hire date.
 - A maximum of 110% per month of Option A Single Policy plus Single Dental credited toward health insurance, dental insurance, life insurance or other optional benefits such as vision currently provided by the City. Any amount not utilized for optional benefits would be forfeited. The 110% amount would be recalculated as rates adjust on September 1 of each year.
 - To upgrade to a plan that exceeds 110% per month of Option A Single Policy plus Single Dental, such as family coverage or to purchase any optional benefits above the maximum amount allowed the employee would need to pay the additional cost.

Program Analysis

- Pros
 - It would encourage employee retention until retirement eligibility by providing an incentive for years of service, thus reducing turnover rates and retraining costs.
 - Having a straight payout of 25% of accumulated sick leave would impact an employee's decision of being thoughtful about utilization of sick leave. Especially when they are close to retirement and know they will only receive a maximum of \$2,000. Thus preventing the "85 Points Flu" which creates other expenses and potential safety issues when departments are shorthanded.
 - Employees who have not abused their sick leave would be awarded for their dedication. Other employers pay out 33% or more of accumulated sick leave to their retirees, therefore 25% does not seem out of line.
 - The liability to the City would be limited by years of service for the insurance credit and the amount of accumulated sick leave for the sick leave pay out, it would not be an ongoing expense per retiree.

Program Analysis

- Pros
 - Employees that desire to retire but continue to work only for the insurance have an option to do something different and not feel trapped in their jobs.
 - Attitudes are contagious, by reducing the number of employees who are ready to retire and may be burnt out it provides an opportunity to increase morale, productivity, and customer service within the departments.
 - Generally when employees leave, their replacements do not make the same amount when starting.
 - When employees retire, it provides an opportunity to reevaluate efficiencies and restructure.
 - Creating this incentive as a general policy for all would be consistent and would reduce animosity felt when other employees were provided an incentive in the past that was not offered to them.
 - Retirees would leave on a positive note, knowing they were appreciated for their years of service and that the City cares about their well being. This in turn could affect the ability to recruit future employees (word of mouth – ***“Hey, I hear the City has openings. Is the City a good place to work?”***)

Program Analysis

- Cons
 - There would be more retirees on the City's insurance. Retirees already have the option to stay on the City's insurance at their cost.
 - It would require some minor additional record keeping duties to track the program.
 - It would be an additional annual expense in the budget. The first year implemented there could be as many as eight retirements based on current eligibility, but once the first year passes there would only be one to three employees per year that would be eligible when looking at the next six years. Over the last two years there have only been two retirements per year:
 - 2018 Retirements
 - 36 years of service (Street)
 - 6 years of service (Housing Authority)
 - 2019 Retirements
 - 6 years of service (Fire/EMS)
 - 18 years of service (Street)

Blue Cross/Blue Shield anticipated renewal rates for Option A*

Monthly Premium	Single	Family
Health	\$ 445.70	\$ 1,375.90
Dental	\$ 13.87	\$ 42.45
Total	\$ 459.57	\$ 1,418.35
110% of Single w/Dental	\$ 505.53	



*BC/BS Anticipated Rates Effective 09/01/2020

Comparison of Proposed Retirement Program to previous 2011 Voluntary Retirement Incentive Program based on a KPERS Eligible Employee with 32 years of service

	Years of Service	Months Eligible for Single	Per Year Maximum Cost for Single	Single Years Eligible	Maximum cost over Years Eligible for Single	Months Eligible for Family	Per Year Maximum Cost for Family	Family Years Eligible	Maximum cost over Years Eligible for Family
Previous (2011)	32	38	\$5,111.76	3.2	\$16,357.63	19	\$15,778.92	1.6	\$25,246.27
Proposed	32	38	\$6,066.36	3.2	\$19,412.35	0	\$0	0	\$0

Notes:

- The average tenure of the employees that are currently eligible for KPERS retirement is 32 years.
- The 2011 incentive provided for Option C single or family health coverage which is anticipated to be \$425.98 per month for single and \$1,314.91 per month for family based on estimated 09/01/2020 renewal rates.
- The proposed incentive provides for 110% of Option A single health and dental coverage which is anticipated to be \$505.53 per month based on estimated 09/01/2020 renewal rates. Family coverage would be available if the retiree pays the additional cost.
- The 2011 program provided an option to receive a one time payout of \$5,000 in lieu of health insurance coverage, and provided a maximum sick leave payout of \$5,000.
- The proposed program would provide an average sick leave payment of \$7,700 based on the employees that are currently eligible for KPERS retirement.



“If we can afford to do it in the worst of times, how can we not afford to do it in other times?”

Celebrating the retirement of:

ALLAN MARTENSSON

01/2021

A lifetime of
loyal service
started in
December of
1980



*Bottom Line:
We want our
employees to be
happy, and to
know they are
appreciated for
their many years
of dedicated public
service when the
time comes to
retire.*



Happy
Retirement!