

COUNCIL ACTION FORM

SUBJECT: REVISIONS TO PERSONNEL POLICIES AND PROCEDURES MANUAL

BACKGROUND:

The Human Resources Department has identified the following sections of the City's Personnel Policies and Procedures Manual that need to be revised. The affected policies include Chapter 15.1, Section 2 (Retirement) and Chapter 18.3 (Retirement).

Currently, a limited payout for unused sick leave is established by personnel policies and union contracts as "at retirement". In addition, the Code of Iowa requires that the City give retiring employees the option to continue on the City's health insurance "at retirement".

For many years the City's utility retirement system operated as a defined benefit system and specified a retirement eligibility age of 55. That provision was eliminated, however, when the system was converted to a defined contribution plan. Under the current plan, while a retiree's age impacts the taxable status of his/her withdrawals, the retiree's age plays no role in his or her eligibility to retire or draw down retirement benefits. By contrast, employees under the state's IPERS and the MFPRSI (Fire and Police) retirement systems have specified ages for retirement eligibility.

The intent of this action is to establish a retirement age for employees covered under the City's utility retirement system. The proposed language shown in bold below would set this at 55 years (which is the earliest possible retirement age under IRS code) and 8 years of service with the City. A covered employee leaving the City's service will need to meet these criteria in order to be eligible to receive a sick leave payout and continue under the City's health insurance plan as a retiree.

15.1 Voluntary Separation

2. Retirement

Employees are expected to give as much notice as possible to the department head of their intent to retire. Such notice shall be in writing. Department heads shall submit their notice to the City Manager. Application for retirement benefits should be made to the appropriate retirement system. Terminal Leave shall be compensated in accordance with Section 10.4(6), and payment of unused sick leave shall be compensated in accordance with Section 10.5(3) of these Policies and Procedures.

An employee covered by the utility retirement plan must be at least 55 years of age and have 8 years of service with the City to be eligible to receive a retirement sick leave payout and continue under the City's health insurance plan as a retiree.

18.3 Retirement

Normal, early and disability retirement criteria are established for each respective retirement system. **Employees retiring under the utility retirement plan should also reference Section 15.1(2) for eligibility criteria.**

Information regarding the retirement systems may be obtained from the Human Resources Department.

The City's Utility Retirement Advisory Board has been made aware of and been given an opportunity to comment on this change.

ALTERNATIVES:

1. Adopt the proposed changes to the City's Personnel Policies and Procedures effective January 24, 2012.
2. Do not adopt the proposed changes and retain the existing wording.

MANAGER'S RECOMMENDED ACTION:

The proposed change is needed in order to lay out a clear retirement eligibility age for employees covered under the City's Utility Retirement System. Having a clearly stated retirement age will lay out a clear standard for both employees and administrative staff.

Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, thereby approving the above revisions to the City's Personnel Policies and Procedures effective January 24, 2012.