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Date: February 14, 2011

TO: The Honorable Mayor and City Council Members

FROM: John Szerlag, City Manager
John M. Lamerato, Assistant City Manager/Finance and Administration
Peggy Sears, Human Resources Director

SUBJECT: Early Retirement Incentive Program

On Monday, February 7, 2011, City Council approved the offering of an Early Retirement Incentive Program (ERIP) to Classified and Exempt employees. The plan design and criteria are consistent with that which was approved by City Council and offered to the TFSA recently.

As stated in the Resolution, in order for the program to be implemented it must be economically beneficial to the City. The approach that is taken to determine whether the program provides a cost savings to the City is as follows: The cost of the program is determined by the cash incentive amount paid to the employees, plus the actuarially determined cost of the program amortized over a five year period, plus the cost to replace an employee (if replaced). Cost savings will include the salary and benefits that will no longer be paid to that employee (savings realized by not filling the position), any savings realized by delaying the filling of a position, and filling a position at a lower rate of pay and with the reduced level of benefits. If the net cost of the program does not exceed the net savings, the program will be implemented.

If the net cost exceeds the net savings, the program will only be available for those individual employees for whom it is cost effective. In other words, if the cost of providing the ERIP to a specific employee does not exceed the savings realized by that employee retiring (using the methodology referenced above), that employee may take the incentive.

Please advise if additional information is required.

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