



Finance Committee Summary

Wednesday, September 2, 2009

1:30 p.m.

3rd Floor Council Conference Room

Committee Members Present: Faatz, Chair; Boigon, Vice-Chair; Brown, Hancock, Lehmann
Other Council Present: Robb

Agenda:

- 1) *City-wide retirement incentive proposal*

1) **City-wide retirement incentive proposal:**

Committee Action

The Committee approved the following three ordinances related to the retirement incentive proposal:

- A bill that would amend Chapter 18 of the Denver Revised Municipal Code that would create a cash incentive retirement program for all Career Service employees and other eligible city employees to receive an unreduced retirement benefit under the Denver Employees Retirement Plan (DERP). The participating employees would agree to separate their employment with the City by November 30, 2009. The incentive would not impact DERP pension benefits and would be paid and administered by the City.
- A bill that would amend Chapter 18 that creates and describes the Special Incentive Program of the City which would include purpose, definitions, administration, eligibility, payments, termination, rights, and assignments. The incentive is based on eligible employees receiving \$500 per month for 30 months.
- A bill that would amend DERP to allow the City to rehire retired members for up to 1,000 hours in a calendar year without terminating retirement benefits.

Committee Discussion

Ed Scholz, Budget & Management; Sam Dykstra, City Attorney's Office; Steve Hutt, Executive Director of DERP; Jeff Dolan, Career Service Authority; and Kevin Patterson, Manager of Parks and Recreation were present as the representatives who worked on the retirement proposal. Mr. Scholz said it was difficult to predict how many employees would take the incentive. The City has identified 960 eligible employees; it is assumed that 50% would take advantage of the opportunity. Unless Denver Health employees hold CSA status they are not eligible to participate in this program. The proposed effective date of the retirement incentive proposal is July 31, 2009. Mr. Scholz explained that this would capture the eleven people who retired then and would allow them to have this additional benefit which equates to a cost of \$165,000. These employees are costs to the General Fund and to the Denver International Enterprise Fund. The goal of this incentive program is to minimize layoffs in the City. Mr. Hutt explained that the eligible

employees would keep the same insurance program. They would just switch to DERP. He added that nothing will change regarding the retirement formula: the lifetime monthly retirement benefit calculation is 2% of the employee's average monthly salary based on the highest 36 consecutive months' salary that the member earns times years of credited service.

The assumptions and projected savings are estimated as follows (see attachment):

- Benefit - \$500 per month for 30 months
- Average salary (long term employee) = \$68,871 plus benefits and leave payout
- Assumption that 50% of 960 eligible employees or 480 FTE would participate
- Sign up period is October 1 through November 15, 2009
- Employee must separate by November 30, 2009
- Amendment will allow a retiree to work up to 1,000 hours in a calendar year, and would not allow employees to come back as consultants for the City
- Estimated General Fund savings in the first year = \$4.9 million (includes expenditures for filling vacancies that are considered essential positions, but at a lower salary)
- Estimated General Fund savings in the second year = \$8.9 million

Councilmember Faatz cautioned the 1,000 hour provision for bringing employees back and only essential personnel should qualify so as not to spend the savings that the program is designed to achieve. Mr. Hutt stated that employees under this plan would forfeit the retirement benefit if they worked past the 1,000 hours allowed. In addition, DROP Program I and II retirees can be re-hired under this provision and the current draft ordinance will be changed to reflect that allowance. Mr. Scholz said that they will provide an on-going report to City Council that will show the number of employees who are brought back temporarily under this option. At this time, the City is not planning on providing another retirement incentive program for at least five years. Kevin Patterson, Parks & Recreation and Chair of the Retirement Plan Committee, said employees can buy service credits, but could only buy one credit per year. Mr. Hutt cautioned employees about the pros and cons of purchasing service credits. He noted that many things impact that option such as where you are at with service hours and age and that you may not still meet the retirement requirements. Retirement benefits are based on a formula and this program is an incentive not a lifetime, long-term benefit. He stressed that employees should call his office for that information. Employees can call 303-839-5419 to speak with a counselor or email retirement@denvergov.org.

Councilmember Brown questioned how the new plans for sick and vacation benefits will be figured in. Mr. Scholz stated that the "PTO" Program will only affect new employees, and vacation and sick benefits under this plan will not be added into DERP planning. The goal is to begin the program sometime this fall. Councilmember Boigon said that it was her understanding that women are penalized in retirement formulas (women live longer) similar to penalties women face in health care. She would like to schedule a discussion on these matters and get a legal analysis on these issues. Councilmember Faatz questioned what percentage of the employee population are new employees. Since September 1, 2004, one-third of Denver's workforce benefit from the current retirement plan. Councilmember Boigon requested a summary of the eligible retiree numbers by agency.¹ Sam Dykstra, City Attorney's Office, stated that the current draft ordinances will undergo some tweaking to include language that would include DERP in these plans. The intent is to file the bills as soon as possible to begin the sign-up period.

Debra Bartleson
Legislative Services

¹ Subsequent to the meeting, Career Service Authority provided the breakdown by agency (see attachment).