



Request for City Council Committee Action From the Department of Human Resources

Date: December 8, 2003

To: Ways and Means/Budget Committee

Prepared by: Pamela French, Interim HR Director

Approved by _____

Pamela French
Interim HR Director

John Moir, City Coordinator

Subject: Request to allow City Departments to enter into agreements with employees who are under the Public Employees Retirement Association general plan or police and fire plan regarding reduced hours and unpaid leave pursuant to Chapter 12 of the 2003 Minnesota Special Legislative Session.

Presenters in Committee: Pamela French, Interim HR Director

Recommendation:

1. Authorize City Departments, that meet the criteria listed in paragraph # 3 below, to enter into voluntary hour reduction plans with employees, in any job classification, who are under the Public Employees Retirement Association general plan or police and fire plan.
2. Authorize City Departments, that meet the criteria listed in paragraph # 4 below, to enter into voluntary unpaid leave plans with employees, in any job classification, who are under the Public Employees Retirement Association general plan or police and fire plan.
3. The criteria that must be met for a City Department to enter into a voluntary hour reduction plan agreement with an employee are as follows:
 - a. A Department can only enter into a voluntary hour reduction plan agreement with an employee if the employee, on June 1, 2003, was regularly scheduled to work 1,040 or more hours a year in a position

covered by the Public Employees Retirement System ("PERA") and the employee will work 1,040 or less hours under the plan agreement.

- b. Any agreement that the Department enters into with an employee must be in writing.
- c. Any agreement that the Department enters into with an employee must be limited to the period between June 1, 2003 and June 30, 2005.
- d. Any agreement that the Department enters into with an employee must specify the number of hours that the employee will work, the work schedule, and the duration of the voluntary hour reduction plan.
- e. Any agreement must state that the employee will get the benefits as is allowed under the applicable union contract or City Policy based on the number of reduced hours to be worked.
- f. Any agreement must state that PERA will charge the employee interest at the rate of 8.5 percent a year compounded annually if PERA does not receive full payment of employee contributions within 31 days of the end of each calendar quarter in which there is a reduction in hours.
- g. The Department determines what job classifications or positions within job classifications will be provided the opportunity to enter into reduced hour plan agreements.
- h. In determining whether a department will enter into a reduced hour plan agreement, the department should consider the following:
 - (1) The impact of any resulting reduction in services on the department or on others;
 - (2) The savings of salary that would no longer have to be paid under the reduced hours schedule;
 - (3) Continuing employer contributions to PERA, which will continue to be based on unreduced work hours, even though work hours will be reduced;
 - (4) The cost in paying another employee or an independent contractor to perform the duties that the employee, who is on the reduced hour schedule, cannot perform during the reduced hours;
 - (5) That PERA will charge the employee interest at the rate of 8.5 percent a year compounded annually if PERA does not receive full payment of

employee contributions within 31 days of the end of each calendar quarter in which there is a reduction in hours; and

(6) That PERA will charge the employer interest at the rate of 8.5 percent a year compounded annually if PERA does not receive full payment of employer contributions within 31 days of the end of each calendar quarter in which there is a reduction in hours.

4. The criteria that must be met for a City Department to enter into an unpaid voluntary leave of absence agreement with an employee are as follows:
 - a. Any agreement that the Department enters into with an employee must be in writing.
 - b. Any agreement that the Department enters into with an employee must be limited to the period between June 1, 2003 and June 30, 2005.
 - c. Any agreement that the Department enters into with an employee must specify:
 - (1) The time period of the leave;
 - (2) That vacation, sick leave, and seniority will continue to accrue during the leave;
 - (3) That insurance benefits will continue during the leave;
 - (4) That the employee will be entitled to holiday pay during the leave;
 - (5) That if the employee pays the employee contribution for the leave period, the employer will pay the employer's contributions for the leave period; and
 - (6) That PERA will charge the employee interest at the rate of 8.5 percent a year compounded annually from the end of the leave until the date employee contributions for the leave period are paid to PERA.
 - d. The Department determines what job classifications or positions within job classifications will be provided the opportunity to enter into unpaid voluntary leave of absence agreements.
 - e. In determining whether a department will enter into an unpaid voluntary leave of absence agreement, the department should consider the following:

- (1) The impact of any resulting reduction in services on the department or on others;
- (2) The savings of salary that would no longer have to be paid during the voluntary leave period;
- (3) Continuing employer contributions to PERA, which will continue to be paid during periods of voluntary leave if the employee pays the employee's contribution;
- (4) The cost in paying another employee or an independent contractor to perform the duties that the employee cannot perform because of the leave;
- (5) That PERA will charge the employee interest at the rate of 8.5 percent a year compounded annually from the end of the leave until the date employee contributions for the leave period are paid to PERA; and

That PERA will charge the employer interest at the rate of 8.5 percent a year compounded annually from the end of the leave until the date employer contributions for the leave period are paid to PERA.

<p>Financial Impact (Check those that apply)</p> <p><input checked="" type="checkbox"/> No financial impact or Action is within current budget.</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Capital Budget</p> <p><input type="checkbox"/> Action requires an appropriation increase to the Operating Budget</p> <p><input type="checkbox"/> Action provides increased revenue for appropriation increase</p> <p><input type="checkbox"/> Action requires use of contingency or reserves</p> <p><input type="checkbox"/> Other financial impact (Explain):</p> <p><input type="checkbox"/> Request provided to the Budget Office when provided to the Committee Coordinator</p>

Background/Supporting Information -

Chapter 12 of the 2003 Special Minnesota Legislative Session allows the City to enter into individual agreements with employees who are under the Public Employees Retirement Association general plan or police and fire plan regarding reduced hours and unpaid leave. Chapter 12 provides that entering into such agreements with individual employees is not an unfair labor practice under

Minnesota Statutes, Chapter 179A, or an unfair discriminatory practice under Minnesota Statutes, Chapter 363.

The City can enter into a voluntary hour reduction plan with an employee in any City-approved designated classification who: (1) on June 1, 2003, is regularly scheduled to work 1,040 or more hours a year in a position covered by a pension plan administered by the Public Employees Retirement Association; and (2) enters into an agreement with the City to work a reduced schedule of 1,040 or less hours in the covered position. The number of hours to be worked, the work schedule, and the duration of the voluntary hour reduction plan must be mutually agreed to by the employee and the City. If the employee pays the employee contributions to the Public Employees Retirement Association as if the employee were working unreduced hours, the department will pay the employer contributions to the Public Employees Retirement Association as if the employee were working unreduced hours. Under the hour reduction plan, the employee will be provided benefits as allowed under the applicable collective bargaining agreement or personnel policy based on the number of reduced hours actually worked. All agreements will cease on or before June 30, 2005.

The City can enter into an unpaid voluntary leave of absence agreement with an employee in a City-approved designated classification. The agreement may allow employees to continue accruing vacation and sick leave, be eligible for paid holidays and insurance benefits, accrue seniority, and accrue service credit and credited salary in the Public Employees Retirement Association as if the employee had actually been employed during the time of leave. If the leave of absence is for one full pay period or longer, any holiday pay may be included in the first payroll after return from leave. The department would consider any applicable collective bargaining agreement provisions, personnel policies, and the lengths of the leaves in determining the benefits that will be allowed. To receive eligible service credit, the employee shall pay an amount equal to the applicable employee contribution rates for the period of the leave. If an employee pays the employee contribution for the period of the leave, the City will pay the employer's contributions for the leave period. The City may, at its discretion, pay both the employee and employer contributions for the leave period. All agreements will cease on or before June 30, 2005.