



MEMORANDUM

DATE: June 3, 2020

TO: All Eligible Employees

FROM: Christina Alger, Director of Human Resources

RE: EARLY RETIREMENT INCENTIVE PLAN – Fiscal Year 2020/2021

PURPOSE

The City of Modesto is confronted with serious fiscal constraints and is undertaking organizational reviews to optimize the efficiency of operational functions. One response to these challenges is the adoption of the Early Retirement Incentive Plan (ERIP) for qualified employees. The following information outlines the description, purpose, and eligibility requirements.

POLICY

The ERIP is a one-time opportunity for eligible employees to apply for separation and enter retirement at an earlier date than might otherwise have been planned. ERIP participants will be required to sign a Separation Agreement that contains a release of all employment rights and claims, described later in this document. Following voluntary separation from the City of Modesto, ERIP participants will receive the benefits provided by this plan, which will either include a lump sum payment, or contribution to a Retiree Health Savings Account.

Participation in the ERIP is completely voluntary. Applicants may revoke their application at any time up to seven (7) days after signing the Separation Agreement. Eligible employees who decline to participate or who revoke an application to participate will not be treated any differently than any other similarly situated employee.

Applications for the ERIP will be accepted for a limited period of time, starting June 3, 2020, and ending at 5:00 p.m. on June 24, 2020.

Separations under the ERIP are to be effective on or before July 20, 2020, with a retirement date no later than July 21, 2020, except as allowed by circumstances described later in this document.



This Program is meant to achieve the following objectives:

1. Reduce salary and benefit costs in anticipation of fiscal challenges.
2. Redirect positions to focus on priorities, changing needs or strategic objectives.
3. Achieve cost savings and organizational efficiencies.

Requests to participate in this Program will be reviewed on a case-by-case basis. The program may not be open to all departments. Determinations of compliance with the conditions and requirements of this Program, and approval of any request made under this Program, are subject to the review and approval of the Department Director and City Manager.

Additional information, including the ERIP application form, a Separation Agreement, and Frequently Asked Questions can be obtained at the following website: [Early Retirement Incentive Program](#)

ELIGIBILITY

Full-time regular employees in MCEA, MCMA, and MPNSA bargaining units at the City of Modesto are eligible to apply for the ERIP if, as of **July 20, 2020**, the employee is at least **50 years of age** with at least **five (5) years** of regular service with the City and eligible for retirement.

Employees must be in a Full-Time position having completed the Separation Program Application and have not submitted notice of resignation or retirement prior to the voluntary separation program offer.

Employees not eligible for this Program include:

1. Essential employees or positions identified within departments that are in critical or hard-to-fill positions, with critical knowledge or skills, or are needed to maintain minimum staffing levels;
2. Executive Management and Safety employees;
3. Probationary employees;
4. Limited-Term;
5. Part-Time employees;
6. Extra-Help/Seasonal employees;
7. Retired Annuitants;
8. Employees who have already provided written notice of separation or retirement;
9. Employees that are being involuntarily separated by the City.



This Program is not an entitlement or benefit, but rather is intended to supplement the range of budget management options available to the City. Applications will be evaluated on a case-by-case basis by their respective department to determine the impact and the ability to achieve long-term savings. Approval determination of an application will be conducted on a case-by-case basis.

SEPARATION DATE

To participate in the ERIP, an eligible employee who has applied for and received final approval to participate in the ERIP must sign a Separation Agreement that releases the City of Modesto from all employment rights and claims, and must agree to separate from the City of Modesto on one of the following dates:

1. **July 20, 2020**, is the intended separation date for most ERIP participants.
 - i. **\$10,000 incentive**
2. **September 29, 2020**, is an alternative separation date that ERIP participants may designate when it is clearly in the best interest of the City of Modesto.
 - i. **\$2,500 incentive**
3. **December 22, 2020**, is an alternative separation date that ERIP participants may designate when it is clearly in the best interest of the City of Modesto.
 - i. **\$1,000 incentive**

The above three separation dates are the only separation dates available under the ERIP. Under no circumstances will an ERIP separation date be extended beyond **December 22, 2020**. Regardless of separation date, the ERIP application must be submitted by 5:00 p.m. on June 24, 2020.

SEPARATION INCENTIVE BENEFIT OPTIONS

The City shall offer two (2) separation incentive benefit options from which the ERIP participant may elect:

1. Lump sum payment of \$10,000, \$2,500, or \$1,000 based on separation date; or
2. Contribution to a Retirement Health Savings Account of \$10,000, \$2,500, or \$1,000 based on separation date; or

The City shall either provide a lump sum payment to the ERIP participant or contribute the amount to a **Retirement Health Savings Account (RHS)** on behalf of the ERIP participant. The City will credit the applicable lump sum amount to the ERIP participant's direct deposit account or RHS during the month following the ERIP participant's separation date.



The ERIP participant can use the RHS account to reimburse medical expenses within the meaning of Section 213(d) of the Internal Revenue Code on behalf of the participant, his or her spouse, and his or her eligible dependents. Examples of medical expenses that qualify for RHS reimbursement:

- After-tax medical insurance premiums (COBRA and retiree premiums)
- Deductibles and copayments not covered by another medical plan
- Dental and vision care expenses not cover by another plan
- Eyeglasses
- Prescription drugs
- Preventive care
- Medicare Part B and D premiums

Additional details about this RHS feature are available at [ICMA-RC](#) and for a complete list of qualified medical expenses that qualify for reimbursement refer to IRS Publication 502, "Medical and Dental Expenses."

The Internal Revenue Service (IRS) does not allow the use of RHS funds for expenses associated with a domestic partner, unless the partner qualifies as a dependent under IRS regulations.

The IRS does not allow RHS accounts to be transferred to any other individual, except in the event of the participant's death. If the participant dies after separating from the City, but before the date that funds are used, the RHS account can be used by the participant's spouse to reimburse medical expenses within the meaning of Section 213(d) of the Internal Revenue Code, as described above. If there is no spouse at the time of the participant's death, the RHS account can be used by an IRS qualified dependent. (Changing the name on the RHS account to a spouse or dependent is not automatic, and the surviving spouse or dependent will need to contact the City's RHS third party administrator to initiate the process.) If there is no spouse or dependent at the time of the participant's death, any balance in the RHS account will be forfeited back to the City.

RHS accounts will be administered by ICMA-RC, P.O. Box 96220, Washington, DC 20090-6220

All other applicable collectively bargained retirement benefits for which the ERIP participant is eligible shall be granted.



ERIP APPLICATION PROCEDURE

Eligible employees shall be provided a copy of this Plan, which includes a Separation Agreement, on or before **Wednesday, June 3, 2020**.

The application period for the ERIP begins on June 3, 2020 and ends on June 24, 2020. Applications submitted later than 5:00 p.m. on June 24, 2020, will not be considered.

To apply for the ERIP, an eligible employee must complete and submit an application form located at [Early Retirement Incentive Program](#). When the application form is submitted, the applicant is indicating a desire to voluntarily separate from the City of Modesto in exchange for one of the ERIP separation incentive benefits.

Applicants may revoke their application at any time up to seven (7) days after signing the Separation Agreement. To revoke or withdraw an ERIP application, the applicant may send a notice of revocation to the City Manager. On the eighth (8th) day after signing the Separation Agreement, the ERIP application is irrevocable.

As indicated above, separations under the ERIP will be effective July 20, 2020 or earlier, with a retirement date of July 21, 2020, September 29 with a retirement date of September 30, or December 22 with a retirement date of December 23, except as otherwise provided under the Plan.

The City of Modesto would like to allow up to 20 employees to participate in the ERIP as possible. ERIP applications will be reviewed based on the following criteria:

- 1) How the employee's separation and the department's subsequent actions will meet City objectives including eliminating the position or achieving substantial savings to cover the cost of the separation
- 2) The position's funding source

Following a review period during the beginning of July 2020, applicants will be notified when their application has been approved. Upon approved, applicants will be provided a Separation Agreement to sign.

REQUIRED APPROVALS

The City's Human Resources Department will first review the ERIP application to confirm the employee's eligibility to participate. ERIP applications require the following approvals:



The Department Director reviews the application. If the Department Director approves the application, then he or she is responsible for providing a statement demonstrating how the ERIP separation will meet the above institutional objectives, including a statement explaining how any planned replacement will also meet those objectives.

Final approval of the ERIP application is required by the City Manager. Participation in the ERIP is not a right.

Council approval of the program will still be required. The package with full releases will be presented to Council on July 7th for final ratification.

SUBSEQUENT EMPLOYMENT

An ERIP participant cannot be reemployed by the City in a retired annuitant position for six (6) months following his or her separation date.

PAYMENTS MADE IN ERROR

Retirement Health Savings Account contributions made by mistake of fact or paid contrary to the terms of the ERIP plan shall be returned to the City by the separated employee.

REPRESENTATIONS CONTRARY TO THE ERIP

No employee, director, executive, or agent of the City has the authority to alter, vary or modify the terms of the ERIP, except by means of an authorized written amendment to the ERIP on file with the Director of Human Resources. No verbal or written representations contrary to the terms of the ERIP and any amendments shall be binding upon the City of Modesto.

AMENDMENT AND TERMINATION

The City reserves the right to amend or terminate the ERIP at any time. Notwithstanding the foregoing, no amendment of ERIP may reduce ERIP payments or other considerations once an ERIP Separation Agreement is fully executed.

NONDISCRIMINATION STATEMENT

The City of Modesto will not engage in discrimination against any person because of age, color, disability, ethnicity, gender, gender identity, genetic information, marital status, national origin, race, religion, sexual orientation, or veteran status, and will



comply with all federal and state nondiscrimination, equal employment laws and regulation.