

Memorandum

Date: December 15, 2011

To: Policy Board Members and Alternates

From: Ken Kelash, Chair
Debbie Evans, Vice Chair
Dave Ellis, Secretary

Subject: Severance Discussion Follow-up and Recommendations

At last month's NRP Policy Board meeting there was much discussion of the Severance Pay and Benefits Plan adopted by the Board in October. As a result, the Board requested that the Executive Committee research additional severance information with the assistance of Protection Neighborhood Representative Alternate Jeffrey Strand. The Committee has reviewed severance materials from the Joint Powers government jurisdictions and others. A summary of the information that we obtained is attached for your information.

It is readily apparent that there is no standard for severance plans or pay and little consistency between governmental jurisdictions or between government and other employers.

The following facts were considered in developing the severance plan that was previously submitted to the Board:

1. NRP employees have been and are paid according to salary schedules that were and continue to be significantly lower than that of comparable City employees. Two former NRP employees who were hired for positions in the Neighborhood and Community Relations Department (NCR) that are similar to the positions they held at NRP, received significant salary increases when they were hired by NCR.
2. All NRP employees, except the Director, are at the top step of their salary schedule and have been since 2002. The two former NRP employees hired by NCR now have additional steps in their salary schedule and have the potential for future merit increases. They were at the top of their pay schedule at NRP.
3. NRP employees are neither City employees nor Civil Service employees. The Director is appointed and supervised by the Policy Board. All other NRP employees are appointed by the Director, serve at will and none are represented by any union.

4. Current NRP employees are being terminated without cause and through no fault of their own.
5. The five remaining NRP employees have an average tenure of 19 years with NRP.
6. By staying until the expiration of the Joint Powers Agreement, NRP staff has and continues to contribute to a smoother transition of the remaining program activities to the City.
7. Any severance granted will be contingent upon the employee signing a full release of claims and liability against NRP.
8. An NRP specific severance policy and plan is supported by:
 - a. The variety of severance policies of the various jurisdictions and the absence of consistency in those policies
 - b. The unique Joint Powers status of NRP
 - c. The fact that the employees of NRP who are being terminated directly assisted in acquiring the unrestricted fund balance that will be used to pay for the proposed severance payments
 - d. The continued treatment of NRP employees as separate and distinct by the City (e.g. the removal of the City Job Bank as an option for possible future employment of laid off NRP staff)
 - e. The need for a severance plan that is both fair and reasonable for employees who have served with such dedication to NRP
9. The Severance Pay and Benefits Plan adopted by the Board recognizes the excellent individual and program performance that has occurred during the time of employment of these NRP staff members.
10. NRP has a significant administrative fund balance that is unrestricted and was not derived from Tax Increment Financing districts or any other City funds. The State Auditor's 2010 audit of NRP's Administrative Fund reports a fund balance of \$ 607,056 as of December 31, 2010. Of this amount, \$ 604,907 is unrestricted, available for meeting the Policy board's obligations and may be spent at the discretion of the Board. The majority of these funds come from the revenues generated from the Minneapolis and St. Paul Home Tour.

The NRP Severance Pay and Benefits Plan was proposed and adopted to recognize the past service of NRP staff and encourage their continued commitment through the expiration of the Joint Powers Agreement. In an effort to more closely mirror the severance payment approach used by the City, however, it is recognized that there are significant differences between the approach and plans in City ordinance and the NRP Severance Pay and Benefits Plan that was adopted on October 24, 2011. After carefully examining the different plans, the following amendments to the NRP Severance Pay and Benefits Plan are recommended:

BE IT RESOLVED: That Paragraphs 1 and 3 of the NRP Severance Pay and Benefits Plan are deleted and replaced by the following:

1. Payment of severance pay as defined by Minnesota Statutes § 465.71 in a lump sum amount equal to six (6) months of the employee's salary at the date of termination.
3. Payment by the NRP of an additional lump sum payment equivalent to six (6) months of the health and dental plan premiums that would be charged to the employee under COBRA.

BE IT FURTHER RESOLVED: That the current Paragraph 4 of the NRP Severance Pay and Benefits Plan be deleted and replaced with:

4. That the Executive Director shall receive a severance payment calculated in the same manner as other NRP employees.

BE IT FURTHER RESOLVED: That the last nine words (“for review and approval by the NRP Policy Board”) at the end of the third Resolved clause be deleted because the Policy Board will have no additional meetings before the expiration of the Joint Powers Agreement;

BE IT FURTHER RESOLVED: That the Chair of the Policy Board is authorized to sign an employment agreement with the Director;

BE IT FURTHER RESOLVED: That the Chair and Director are authorized to take any and all actions required to implement the NRP Severance Pay and Benefits Plan as amended and restated.

Copies of the adopted Severance Pay and Benefits policy with the redline changes proposed and with the changes incorporated are attached.

Severance Plans of Various Organizations

Hennepin County

Up to 800 hours (paid at the salary level at the time of termination) from unused sick leave and unused vacation. No other benefit at the time of termination.

(Note: Employees hired in the early 1990's received Stability Pay and could contribute to a 1% Supplemental Retirement fund that was matched by the County.)

City of Minneapolis

When addressing severance, City employees are not defined by their staff or management positions, but are categorized into two groups. One group comprises those who are Civil Service and are represented by a union. The second group comprises those who are appointed, serve at will, are not represented by any union and have an employment contract. All of the NRP staff meet the standards of the second category. The severance policy for the second category is as follows:

Employees appointed after January 1, 1999 receive a lump sum payment equal to 50% of their annual salary.

Employees appointed after September 1, 2005 receive a lump sum payment equal to 50% of their annual salary minus one month for each year in excess of 3 years of service. (Minimum lump sum payment is 3 months) **and**

100% of COBRA medical insurance for the first six months of COBRA after termination for the coverage and plan in effect at the date of termination, **and**

100 % of dental insurance through COBRA for the first six months of COBRA after termination for the coverage and plan in effect at the date of termination.

Minneapolis Park & Recreation Board

Directors: 100% of remaining vacation placed in the MSRS (health savings account) at 100% of pay, depending on how many sick hours they have remaining 100% of sick hours at 50% of pay. If their contract is non-renewed after three year contract they get 2 months wage and benefits. If terminated without cause they get 3 months wages and benefits.

Assistant Superintendents: 100% of remaining vacation placed in the MSRS at 100% of pay, depending on how many sick hours they have remaining 100% of sick hours at 50% of pay. If their contract is non-renewed after three year contract they get 3 months wages and benefits. If terminated without cause they receive 6 months wages and benefits.

Staff severance information has been requested, but no information has been received.

Minneapolis Public Schools

MPS Exec staff is only entitled to the following on separation:

- 1) Payout of unused leave
- 2) COBRA at employee rate for 18 months or age 65, whichever comes first

Clarification of these payments has been requested, but no further information has been provided.

Staff severance information has been requested, but no information has been received.

International City Managers Association (ICMA)

Severance must be reasonable and affordable for the community. The cost of a severance package should be consistent with the role and expectations of the position.

A severance package of one year's salary, with the recognition that the length of service with an organization may justify higher severance, is recommended. The employee should also be compensated for all accrued sick leave, vacation time, and all paid holidays. The employer makes a contribution to the Employee's deferred compensation account equal to this total.

For one year from the date of termination the Employer also pays the cost for:

- health insurance for the employee and dependents;
- life insurance at the rate paid at the time of termination;
- outplacement services (up to \$10,000); and
- short and long term disability insurance.

Private Sector

R.J. Ahmann

The RJ Ahmann Company is an independent insurance agency that conducts business with more than 50 insurance companies. The company has hundreds of corporate, non-profit and government clients and had sales of more than \$100 million last year and is one the most respected names in the insurance industry.

A survey of their private clients provided the following information.

Private company severance packages usually included one or two weeks of salary for each year of employment and full health care coverage for a minimum of six months. Most covered health plan premiums for one year from the date of separation. Generally, the higher up the employee, the more generous and comprehensive the severance package.

NEIGHBORHOOD REVITALIZATION PROGRAM POLICY BOARD

RESOLUTION NO. NRP / PR #2011-06 WITH AMENDMENTS

**A RESOLUTION APPROVING A SEVERANCE PAY AND BENEFITS
PLAN FOR NEIGHBORHOOD REVITALIZATION PROGRAM POLICY BOARD
EMPLOYEES**

WHEREAS, the retirement, resignation, termination of an employee or the termination of the Neighborhood Revitalization Program (“NRP”) are situations where the NRP may desire to provide a severance pay and benefits package to NRP employees; and

WHEREAS, it is in the best interest of the NRP to have the ability to offer employees a severance pay and benefits package consistent with the NRP’s administrative policies and state and federal statutes; and

WHEREAS, Minnesota Statutes sections 465.72 – 465.722, as amended, require the NRP to develop a severance pay and benefits plan, including a funding plan, to be instituted at the discretion of the NRP Policy Board; and

WHEREAS, the NRP desires to fund any severance pay and continuation of certain employee benefits from the NRP’s administrative fund, except as otherwise stated herein.

NOW, THEREFORE, BE IT RESOLVED THAT the Policy Board of the NRP determines that it is in the best interest of the NRP to have the ability to offer some or all of the following terms and conditions as a severance pay and benefits plan to employees displaced from NRP employment through retirement, resignation, termination without cause or the abolishment of a position, or the termination of the NRP, when in the discretion of the NRP Policy Board a severance pay and benefits package would be appropriate:

1. Payment of severance pay as defined by Minnesota Statutes § 465.71 in a lump sum amount equal to six (6) months of the employee's salary at the date of termination; and
2. Payment by the NRP, up to a value of \$1,000, for outplacement employment services, with such payment to be made to an outplacement services company as agreed upon by the NRP and employee, upon verification that such outplacement services have been provided to the employee; and
3. Payment by the NRP of an additional lump sum payment equivalent to six (6) months of the health and dental plan premiums that would be charged to the employee under COBRA.
4. That the Executive Director shall receive a severance payment calculated in the same manner as other NRP employees.
5. That payment of vacation or other payments to employees terminated without cause authorized by the NRP in its Employee Handbook shall not be included as severance pay.
6. That the offering of the above severance pay and benefits by the NRP is solely at the discretion of the NRP Policy Board and may be subject to the execution of a release of all claims by the employee against the NRP and its agents, consultants, employees, former employees, insurers, heirs, executors and assigns, in such language as is required and approved by the NRP.

NOW, THEREFORE, BE IT RESOLVED by the NRP Policy Board that the NRP Policy Board adopts the severance pay policy and plan as provided herein;

BE IT FURTHER RESOLVED that the NRP Policy Board directs the Executive Director to work with NRP staff in situations where the Executive Director finds it is in the best interest of the NRP to offer a severance pay package to an employee, and to prepare the appropriate documents and agreements to facilitate the offering and execution of a severance pay package agreement as provided herein.

NOW, THEREFORE, BE IT FINALLY RESOLVED THAT any severance pay and benefits provided to an employee shall be funded out of the NRP's administrative fund, except as otherwise stated herein.

Adopted this 24th day of October 2011, by the NRP Policy Board and Amended this 19th day of December 2011

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WHEREAS, it is in the best interest of the NRP to have the ability to offer employees a severance pay and benefits package consistent with the NRP’s administrative policies and state and federal statutes; and

WHEREAS, Minnesota Statutes sections 465.72 – 465.722, as amended, require the NRP to develop a severance pay and benefits plan, including a funding plan, to be instituted at the discretion of the NRP Policy Board; and

WHEREAS, the NRP desires to fund any severance pay and continuation of certain employee benefits from the NRP’s administrative fund, except as otherwise stated herein.

NOW, THEREFORE, BE IT RESOLVED THAT the Policy Board of the NRP determines that it is in the best interest of the NRP to have the ability to offer some or all of the following terms and conditions as a severance pay and benefits plan to employees displaced from NRP employment through retirement, resignation, termination without cause or the abolishment of a position, or the termination of the NRP, when in the discretion of the NRP Policy Board a severance pay and benefits package would be appropriate:

1. ~~Payment of severance pay as defined by Minnesota Statutes § 465.71 in an amount equal to one (1) week of regular salary or pay for every one (1) year of NRP service. For purposes of calculating qualified periods of employment, any employment in a calendar year, which exceeds six months counts as a full year (i.e. 12 years 7 months would result in 13 weeks of severance pay, 12 years 3 months would result in 12 weeks). Payment of severance pay shall not exceed one (1) year of compensation for the employee, or as otherwise permitted by law~~ **Payment of severance pay as defined by Minnesota Statutes § 465.71 in a lump sum amount equal to six (6) months of the employee's salary at the date of termination; and**
2. Payment by the NRP, up to a value of \$1,000, for outplacement employment services, with such payment to be made to an outplacement services company as agreed upon by the NRP and employee, upon verification that such outplacement services have been provided to the employee; and
3. ~~Payment by the NRP of terminated employee's health plan premiums at the same level as if still employed by the NRP (i.e. the employee remains in the health care plan pool and the employee pays the employee portion of the premium as they did when employed) until the employee reaches the age of eligibility for Medicare or up to twenty four (24) months whichever comes first. Such premium payments shall first be paid out of the value of the employee's accumulated sick leave balance as of the date of termination~~ **Payment by the NRP of an additional lump sum payment equivalent to six (6) months of the health and dental plan premiums that would be charged to the employee under COBRA;** and
4. **That the Executive Director shall receive a severance payment calculated in the same manner as other NRP employees**~~That the Executive Director shall be eligible for severance pay as determined by the NRP Board and in accordance with the requirements of Minnesota — Statutes § 465.722;~~ and
5. That payment of vacation or other payments to employees terminated without cause authorized by the NRP in its Employee Handbook shall not be included as severance pay and

6. That the offering of the above severance pay and benefits by the NRP is solely at the discretion of the NRP Policy Board and may be subject to the execution of a release of all claims by the employee against the NRP and its agents, consultants, employees, former employees, insurers, heirs, executors and assigns, in such language as is required and approved by the NRP.

NOW, THEREFORE, BE IT RESOLVED by the NRP Policy Board that the NRP Policy Board adopts the severance pay policy and plan as provided herein;

BE IT FURTHER RESOLVED that the NRP Policy Board directs the Executive Director to work with NRP staff in situations where the Executive Director finds it is in the best interest of the NRP to offer a severance pay package to an employee, and to prepare the appropriate documents and agreements to facilitate the offering and execution of a severance pay package agreement as provided herein, ~~for review and approval by the NRP Policy Board.~~

NOW, THEREFORE, BE IT FINALLY RESOLVED THAT any severance pay and benefits provided to an employee shall be funded out of the NRP's administrative fund, except as otherwise stated herein.

Adopted this 24th day of October 2011, by the NRP Policy Board and Amended this 19th day of December 2011.